Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.800	Israel	Shk4.00	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft128	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Friday February 22 1991

D 8523A

BELGIUM
Coming a cropper over border fences
Page 4

World News

Yugoslavia challenged by Croatian bid for statehood

Yugoslavia's rebellious republic of Croatia declared itself sovereign from the federation, a day after Slovenia opted for separation. Its parliament invalidated all federal laws which "threaten Croatia's interests and sovereignty, territorial integrity or place the republic in an unequal position". Page 4

ANC shifts policy

The African National Congress, in what appears to be a policy shift, said nationalisation of key South African industries could pose big economic risks. Page 6

Moldavia threat

The nationalist president of the Soviet republic of Moldavia, Mircea Snegur, threatened to resign over a smear campaign by the Communist party, but said he would appeal to voters for a direct mandate to retain power. Page 4

Czech land returned

Czechoslovakia's parliament approved a sweeping restitution bill, making it the first former Communist country to return property seized by the old regime. Page 4

Margot Fonteyn dies

Dame Margot Fonteyn, one of the century's greatest ballerinas, died, aged 72, at a Panama City hospital after a long illness.

Indian MPs quit

India's foreign minister V.C Shukla and four other ministers formally resigned after being disqualified as MPs by the speaker. Page 6

Move to adopt sharia

Pakistan's government will present a bill before parliament next month aimed at incorporating Islamic *sharia* laws into the legal system. Page 6

Malan stands firm

South Africa's defence minister Magnus Malan rejected demands for his resignation over revelations of corruption in a special forces army unit.

Election death toll

At least 12 people, including one politician, have been killed and nearly 2,000 injured during campaigning for next week's general election in Bangladesh.

Fresh nuclear alarm

A generator fault triggered an automatic shutdown at the Niigata nuclear reactor in Japan, just two weeks after an accident at the Mihama plant. Page 6

Chinese tour starts

Chinese foreign minister Qian Qichen has begun a seven-nation European tour, his first diplomatic mission there since the crackdown on pro-democracy demonstrators in 1989.

Ethiopia asks for aid

Ethiopia has appealed to the international community to help it support more than 1m refugees who have fled from strife in Sudan and Somalia.

Parliamentary brawl

A brawl between government and opposition MPs broke out in the Sri Lankan parliament over a government attempt to rush a farm bill through the legislature. Page 6

Business Summary

Chase to sell asset management arm to UBS

Chase Manhattan, second largest commercial bank in the US, is selling its institutional asset management business to Union Bank of Switzerland. It expects to show around $100m net gain. Page 15

US semiconductor industry's position deteriorated last year and foreign competitors now control over 60 per cent of world market, according to US report. Page 14

TOTAL, French state-controlled oil group, unveiled a jump in profits last year to FFr4bn ($787m), despite the turmoil in the world oil market. Page 15

NATIONAL Power and PowerGen, two UK state-owned electricity generators, are to be sold at a common share price of £1.75p ($3.46) Page 7

MARKETS: New York: At 1.30 pm, the Dow Jones Industrial Average was down 1.98 at 2,897.03. Tokyo: Nikkei average lost 174.42 to 26,024.37 in lower volume. Paris: CAC 40 index closed 16.65 higher at 1,709.72. Frankfurt: DAX closed 1.00 down at 1,566.32. Back Page, Section II

HILLSDOWN Holdings, diversified UK food group, is widening its shake-up of Canada Packers, Toronto-based food processor, by restructuring its meat business. Page 15

NCR, Ohio computer company that is target of a hostile takeover bid from American Telephone & Telegraph (AT&T), announced two defensive measures. Page 17

NORTHROP, US defence contractor dependent on B-2 Stealth bomber programme, reported a fourth-quarter profits of $42.7m, compared with $33.6m loss in the same period of 1989. Page 17

VARITY, manufacturer of Massey-Ferguson tractors and Perkins diesel engines, is cutting its worldwide workforce by 5 per cent because of falling demand. Page 17

QATAR will sign first big contract to supply natural gas from its North Dome field to Japanese electricity company, paving the way for development of this offshore deposit. Commodities, Page 24

UNIDANMARK, Danish banking group, reported a DKr1.09bn ($191m) loss in 1990, the first year after the group was formed. Page 16

ALFRED McAlpine and Ward Holdings, UK construction companies, continued the string of poor results from the sector. Page 16

SQUARE D, US manufacturer of electrical equipment, appeared to be preparing to reject unsolicited $1.9bn merger proposal from France's Schneider, another electrical products maker. Page 17

NATIONALE-Nederlanden, largest Dutch insurance group, said a newspaper advertising campaign aimed at blocking its merger with NMB Postbank reflected the motives of a "major competitor". Page 17

DAIMLER Benz, Germany's largest industrial conglomerate, will see profits exceed last year's figures, but the strong D-Mark is hitting overseas business. Page 16

■ Moscow presses for delay to land war ■ US sees little cause for optimism

Saddam refuses coalition terms

By **Peter Riddell** in Washington, **John Lloyd** in Moscow, **Peter Bruce** in Madrid and **Robert Graham** in London

PRESIDENT Saddam Hussein last night refused to bow to humbling ceasefire conditions demanded by the allied coalition and prepared his nation for "the mother of battles".

The Iraqi leader's defiant stance in a recorded speech on Baghdad Radio dimmed the few remaining hopes that the Soviet Union might still be able to broker a last minute ceasefire deal.

Mr Alexander Bessmertnykh, the Soviet foreign minister, insisted the door was still open. "We have to hope until there is no hope left at all," he said in Madrid late yesterday

He urged the 28 nation coalition to hold off using troops massed along the Saudi-Kuwaiti border until a final meeting due to be held in Moscow between Mr Tariq Aziz, the Iraqi foreign minister and President Mikhail Gorbachev.

The Soviet foreign minister expressed a growing exasperation with Iraq's delaying tactics and ambiguous rhetoric. "We are simply talking about getting a clear and consistent answer from Iraq."

He had little doubt Mr Aziz's talks in Moscow were the last chance, adding: "I believe that when the ground war starts, the chances for a political solution will be almost dead."

In his speech, Mr Saddam pointedly did not rule out Soviet diplomatic efforts. Instead he attacked President George Bush and other allied leaders for rejecting his conditional withdrawal offer of last Friday and accused them of trying to attach unacceptable new conditions beyond the scope of United Nations resolutions.

The near collapse of efforts to find a diplomatic end to the

GULF REPORTS

■ Iraqis see olive branch ■ Saddam's defiant speech ■ Chemical warfare threat ■ Way ahead for Bush..........Page 2

■ Markets..........Section II

36 day-old Gulf conflict was reflected in a sombre comment from US State Department spokeswoman Margaret Tutwiler: "We do not see much room for optimism."

The White House described Mr Saddam's speech as "disappointing" and said it was filled with "the same invective and disregard for the UN mandate that we have heard so often since August 2".

The statement ended with a determined commitment to prosecute the war. "For our part, the coalition forces remain on the course set by the 12 United Nations' resolutions. Our forces remain on a steadfast course. The liberation of Kuwait continues."

This reaction was echoed in London by Mr John Major, the British prime minister. "It is an immense opportunity lost and now it seems it has gone... We propose to ensure that Kuwait is liberated and, unless Saddam Hussein does comply with the Security Council resolutions in full, then there will be a land war."

Mr Major also repeated the British and US view that the still undisclosed proposals put forward by the Soviet Union fell well short of the UN resolutions.

Other EC members voiced similar disappointment. In Bonn, Mr Dieter Vogel, the government spokesman said: "Even though Iraq's official answer to Soviet President Mikhail Gorbachev's peace plan is still expected, it is clear that Saddam Hussein ... has refused to end the war ... He (Saddam) had the key to peace in his hand. Through his decision, it is clear before the whole world that he alone is to blame if there is further bloodshed."

In Paris, Mr Laurent Fabius, speaker of the French National Assembly, said Mr Saddam had delivered a "suicide speech". Mr Giulio Andreotti, the Italian prime minister, commented pessimistically: "Unfortunately, at this point there is little that can be done".

At least part of Mr Saddam's speech, broadcast two hours before schedule, seemed designed to prepare Iraqis for an imminent land war. "The mother of all battles will be our battle for victory and martyrdom," he declared. "They (the allied coalition) want us to surrender but of course they'll be disappointed..."

He claimed his February 15 offer to withdraw from Kuwait, annexed since August as Iraq's 19th province, had been used by his enemies to squeeze unacceptable concessions. "They (the allies) wanted the word 'withdrawal' ... but they don't care for it now and talk about new things ... By the word 'withdrawal' they meant stripping Iraq of all power ... they want from us many new concessions."

This was seen as a reference to undisclosed demands by the coalition, believed to include an Iraqi withdrawal within a

Continued on Page 14

Saddam Hussein: did not rule out Soviet diplomatic efforts, but attacked US stance

Allied forces reaffirm confidence in battlefield victory

By **Victor Mallet** in Riyadh

ALLIED COMMANDERS last night set aside their hopes for a peaceful Iraqi withdrawal from Kuwait following a hardline speech by President Saddam Hussein, and reaffirmed their confidence that they would win on the battlefield if ordered to liberate Kuwait by force.

Britain said all the artillery associated with its armoured division in Saudi Arabia – 72 guns and 12 multiple rocket launchers – had participated in an American-inspired allied bombardment of Iraqi front line positions.

The three-hour bombardment by British and associated US units, aimed at infantry and artillery positions, tank concentrations, command posts and logistic areas, met no return fire from the Iraqis.

However, British officials warned that some Iraqi army units showed signs of being able to mount a solid defence and that chemical munitions had been sent out to forward Iraqi units over the last few days.

Colonel Barry Stevens said in Riyadh that the British artillery was capable of dropping four times as much explosive on the enemy as all the 882 guns of the British Eighth Army group which won the battle of El-Alamein in the Second World War.

Brig-Gen Richard Neal, the deputy director of US Central Command in Riyadh, publicly admitted for the first time yesterday that US ground forces had crossed Saudi Arabia's northern border, although they were not setting up bases in Iraq or Kuwait.

"We've done reconaissance in force. We've crossed the border in our attempts to define his disposition of forces," he said.

Saudi Arabia also confirmed that its troops had crossed the border as a possible ground offensive approached. Col Ahmed al-Rubayan, the Saudi spokesman said: "We're hitting everything that has military value to Iraq but does not put civilians in danger." Kuwait City itself has been heavily fortified, according to allied intelligence officers. The Iraqis have occupied schools, hotel roofs and religious sites, and they are also using Kuwaiti municipal vehicles to resupply their forces, confident that they will not be attacked by the allies.

Iraq fired two short-range Frog missiles at Saudi Arabia, injuring eight Senegalese soldiers, two of them seriously. It also launched two Scuds at the King Khaled Military City in the north of the country, but Saudi officials said both were successfully intercepted by Patriot missiles. Britain said its minehunters and divers were clearing mines in the northern Gulf and its aircraft continued to attack runways and artillery in Iraq and Kuwait. Sixty per cent of Iraq's hardened aircraft shelters had been destroyed, Group Capt Niall Irving, the British spokesman, said. He showed the first video of the Tornado's new laser target designator system, picturing the explosion of an ammunition dump. The US lost three aircraft as its helicopters and fighters launched cross border raids to hit Iraqi military equipment. Two pilots were killed when an OH-58 observation helicopter crashed, and an F-16 jet and a CH-46 helicopter were lost in non-combat accidents but the crews escaped.

Russian hardliners attempt to force Yeltsin's resignation

By **John Lloyd** in Moscow

MR Boris Yeltsin, president of the Russian Federation, was fighting for political survival yesterday after hardliners in the Russian parliament called an extraordinary meeting to try to force him to resign.

A majority in the presidium, or policymaking council, of the Russian parliament, of which Mr Yeltsin is chairman, said he would be called to account for his ferocious television attack on Mr Mikhail Gorbachev, the Soviet leader, on Monday.

The hardliners, who believe they can command a simple majority at the special meeting, will propose a vote of no confidence in the Russian president. Their aim is to remove him from office and roll back the democratic and pro-market reforms which he has attempted to sponsor.

The forced resignation of Mr Yeltsin would remove the only major figure opposing the trend towards centralisation now being followed by the Soviet president and government and would leave the way open for a further dilution of free market reform.

Boris Yeltsin: under attack

The call was supported by 274 deputies – comfortably above the one fifth of the 1,048-strong parliament needed to stage an extraordinary session.

The signatories of the statement – which ran as top story on the Soviet media all day – included nearly all the senior functionaries of the parliament, led by Ms Svetlana Goryacheva, the parliament's vice-president.

The hardliners are pushing hard to hold the special session before the referendum on the future of the Union on March 17, in order to discredit Mr Yeltsin and boost the chances of a positive vote for maintenance of the Union.

Their statement charged Mr Yeltsin with taking "an extremely inconsistent and contradictory stand", relying on "a narrow circle of people" and causing the deputies' prestige to plummet.

Of the senior officials, only Mr Ruslan Khasbulatov, the first deputy vice-president, supported Mr Yeltsin – calling for the extraordinary meeting to be delayed until late April, well after the referendum.

However, further support for Mr Yeltsin – now visiting the ancient Russian cities of Yaroslavl and Novgorod – came from the Leningrad City Soviet, now in radical hands, which voted by 207 to 4 on a resolution supporting the Russian president and his call for Mr Gorbachev's resignation.

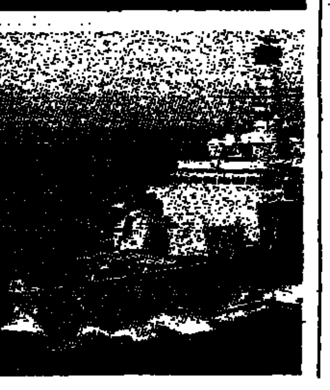
Background; Moldavian threat, Page 4

Weekend FT

Tomorrow: The undercover Chinese who keep the Royal Navy shining

●

Brief breaks – the best short holidays in Europe



CONTENTS

Political manoeuvring takes centre-stage in India

Chandra Shekhar, India's prime minister, may be on the brink of radical action to save his country from the twin blights of political paralysis and looming economic disaster
Page 12

MARKETS

STERLING
New York lunchtime:
$1.957 (1.95)
London:
$1.9575*(1.9475)
DM2.9175 (2.915)
FFr9.925 (9.8925)
SFr2.495 (2.4925)
Y257 (256.5)
£ Index 94.3 (94.2)

GOLD
New York: Comex Apr $364.2
London:
$364.35 (364.125)

N SEA OIL (Argus)
Brent 15-day Apr
$17.425 (17.45)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime
DM1.492 (1.496)
FFr5.077 (5.0865)
SFr1.2752 (1.2792)
Y131.4 (131.5)
London:
DM1.4905 (1.497)
FFr5.07 (5.08)
SFr1.274 (1.2805)
Y131.35 (131.75)
$ Index 60.5 (60.7)
Tokyo close: Y131.43

US lunchtime rates
Fed Funds $6\frac{3}{8}$% (8)
3-mo Treasury Bills:
yield: 6.073% (6.104)
Long Bond:
$98\frac{3}{32}$ ($98\frac{5}{32}$)
yield: 8.038% (8.033)

STOCK INDICES
FT-SE 100:
2,312.4 (+15.6)
FT Ordinary:
1,844.6 (+18.4)
FT-A All-Share:
1,115.6 (+0.7%)
New York close:
DJ Ind. Av.
2,900.74 (+1.73)
S&P Comp
365.84 (+0.7)
Tokyo: Nikkei
26,024.37 (−174.42)

LONDON MONEY
3-month Interbank:
closing $12\frac{7}{8}$ ($12\frac{15}{16}$)
Liffe long gilt future:
$92\frac{27}{32}$ ($93\frac{21}{32}$)

Iraqis see olive branch in Saddam's hand

By Lamis Andonis

PRESIDENT Saddam Hussein's speech yesterday was viewed in Baghdad as implicit acceptance of the Soviet initiative, the details of which have still not been officially announced.

Mr Tariq Aziz, Iraq's foreign minister, was said to be carrying modifications and other ideas to be explored during his talks in Moscow. It was stressed in Baghdad that while being prepared to give up Kuwait, Mr Saddam was not ready to accept demands or pressures that would lead to the destruction of Iraq as a regional power in any post-war arrangement.

Mr Saddam is seen here as insisting on linkage with the

BAGHDAD

Palestinian problem and trying to open the door for a comprehensive Middle East peace. That means he is not necessarily insisting on a specific mechanical linkage but demanding that a peace process should start, based on United Nations resolutions, to solve the other conflicts in the region, especially the Palestinian problem.

However, the president emphasised that his peace initiative did not reflect a sign of weakness or surrender. He is prepared if necessary to continue the battle.

During his speech Mr Saddam also continued preparing the Iraqi people for big sacrifices and a land war. The message was that while he was giving peace a chance, he would not accept the humiliation of his country.

The air raid which was launched less than an hour after his speech led Iraqis to expect further heavy shelling at the war front and even the start of the ground assault.

Mr Saddam added that if the allies were to reject Mr Tariq Aziz's ideas then it would expose the "allies' aggressive intentions". In other words, if the US did not accept what Mr Aziz had to offer, Mr Saddam's suspicions would be confirmed that the allied aim was to destroy Iraq come what may, something he could not accept.

If that is the conclusion reached, Mr Saddam implied that he would resort to any additional means, and any kind of weapon, to make his response clear.

Before the speech the Iraqis were hopeful. But Mr Saddam was implicitly warning the people against raising their expectations and to be prepared for further sacrifices if need be.

Last night there was an atmosphere of an uneasy expectation in Baghdad as it became evident that the next few hours or, at most, days would determine the course of war or peace.

Saddam: no surrender

Defiant words were aimed at home front

By Tony Walker in Dhahran

ARAB commentators said last night that President Saddam Hussein's defiant speech was aimed largely at a domestic audience and did not necessarily foreclose further diplomatic efforts to resolve the Gulf crisis peacefully.

But they also noted that the Iraqi leader had given no indication that he was prepared to accept strict terms laid down by the Allies for Iraq's withdrawal from Kuwait.

Mr Mahmoud Riadh, a former secretary-general of the Arab League and Egyptian foreign minister, said it was unreasonable to expect the Iraqi leader to suddenly admit he was wrong to his "army and his people".

"The most important thing," Mr Riadh observed, was that he did not say no to the Soviet peace proposal. "He could not change direction 180 degrees and suddenly say he was going to withdraw."

The veteran diplomat also said it was significant that in the past few days people in Iraq were being allowed to express opinions more freely about their desire for a peaceful resolution of the conflict. He saw this as possible preparation for an Iraqi about face.

But other observers viewed the speech differently. A senior Egyptian journalist interpreted Mr Saddam's message as "a challenge" to the allies. "As far as Middle East culture is concerned," he said, "Saddam wants to have the last word in this war of words."

The journalist doubted that a land offensive could now be averted and that whatever transpired in Moscow between the Iraqi foreign minister, Mr

ARAB WORLD

Tariq Aziz, and Soviet officials, there was "no way" that Mr Saddam could accept the "humiliating" conditions being proposed by the West for his withdrawal from Kuwait. "He has brought it on himself," he said. "By continuing to use a threatening tone he is inviting a horrendous war which he may not survive."

Mr Riadh also doubted that, whatever happens, the Iraqi president will survive for long as leader of his shattered country. "He has no money, he has destroyed the country," he observed. "There must be a new government to find a way to get the oil flowing."

A western official in Jordan, the majority of whose people steadfastly support Iraq's leader, said he detected no concessions in Mr Saddam's address. "It sounded like a hardline speech," he said.

But the official added that if the underlying assumption is that Mr Saddam remains "rational" then it is hard to believe that he does not understand the dangers posed by a ground war, not only to his military assets but to his own chances of survival.

He said that the Iraqi leader may still accept the Soviet peace plan, while continuing his defiant statements to the west. But his envoy warned that time was running out for Mr Saddam if he wished to escape the full weight of an allied ground offensive. "There is a sense," he said, "that Saddam is playing poker right up to the last minute."

'No glimmer of hope, no glimmer of compromise'

IN the UK, Mr John Major said Mr Saddam's speech showed there was "no glimmer of hope, no glimmer of compromise" which might lead to a peaceful end to the Gulf conflict.

Speaking in Downing Street an hour after answering questions in the House of Commons, the prime minister described the speech as "very disappointing."

He said that, having had an opportunity to see what Mr Saddam had said, he found no suggestion that the Iraqi leader recognised the extent of the damage he had caused by his illegal action or that he was about to obey the UN security council resolutions.

"It is an immense opportunity lost and now it seems it has gone," Mr Major said. "We propose to ensure that Kuwait is liberated and, unless Saddam Hussein does comply with the Security Council resolutions in full, then there will be a land war."

Mr Major repeated Britain's view that the proposals put forward by the Soviet Union fell a good deal short of the Security Council resolutions, and emphasised that the coalition had done everything it could to prevent the conflict beginning, and then to minimise casualties, both among the allies' troops and Iraqi civilians.

He was clear that the task ahead of the coalition was to restore Kuwait to its rightful ownership, and ensure a durable peace and security in the region.

Mrs Margaret Thatcher, the former prime minister, was forthright in asserting that Mr Saddam should not be allowed to profit in any way from his aggression, and must comply unconditionally with all 12 United Nations resolutions.

At Westminster, opposition

BRITAIN

parties joined in condemning Mr Saddam's statement.

Mr Neil Kinnock, the Labour leader, called it "brutal, arrogant and completely typical." Of all the many cruelties committed by Mr Saddam, the greatest would be his failure to take the opportunity to avoid a land battle and the suffering it would bring, he said.

Mr Paddy Ashdown, the Liberal Democrat leader, said the statement made a land war unavoidable. "Even at this 11th hour, every realistic avenue for peace ought to be pursued, but we cannot allow ourselves to be distracted by cul-de-sacs designed to delay the freedom of Kuwait," he said.

Later, during a debate initiated by the Scottish National Party, Mr Jim Sillars, (SNP Govan), questioned the war aims of the US and British governments. He said they were in danger of going beyond the mandate of the United Nations and pressed the government to state their aims openly.

● Europe's governments yesterday reacted to Mr Saddam's speech with gloom and pessimism, agencies report.

In Bonn, Mr Dieter Vogel, the government spokesman, said: "Even though Iraq's official answer to Soviet President Mikhail Gorbachev's peace plan is still expected, it is clear that Saddam Hussein has refused to end the war."

In Paris, Mr Laurent Fabius, speaker of the French National Assembly, said President Saddam's defiant address was a "suicide speech". In Rome, Mr Giulio Andreotti, the Italian prime minister, expressed pessimism about the chances of peace in the Gulf.

'They want to strip Iraq of power'

The following are edited extracts from the 35-minute speech by Iraq's President Saddam Hussein on Iraqi radio yesterday:

MR Saddam said his foreign minister, Mr Tariq Aziz, was carrying details to Moscow of Iraqi "political efforts". Rejection of these would "expose all the deceptions, and will only maintain the premeditated intentions of the aggression against us".

"... What has guided this nation in this direction has been their long suffering at the hands of the ranks of injustice, the unjust, and the Arab rulers who are their allies and who betrayed the nation and sold out honour and religion to the foreigner. "They [the allies] wanted the word 'withdrawal'... but they don't care for it now and talk about new things..."

"By the word 'withdrawal' they meant stripping Iraq of all power... they want from us many new concessions."

"The mother of all battles

THE SPEECH

will be our battle for victory and martyrdom... they want us to surrender but of course they'll be disappointed."

"August 2 [when Iraqi forces entered Kuwait] did not come out of nothing... The measure taken on the glorious day of the call [August 2] was a means of self-defence, and one aimed at defending all honourable principles and values of Iraq.

"There is no other course than the one we have chosen, except the course of humiliation and darkness, after which there would be no bright sign in the sky or brilliant light on earth.

"The Iraqis... continue to ask and work for what will make them more brilliant, faithful and lofty.

"There is no other course. We will protect it with our souls, funds and hearts."

"Palestine – whose just cause dates back more than 40 years, as do the question of its future and the positions on it – has been one of the most important pillars of the conspiracy in which the oil rulers have participated as conspirators against Iraq, led by the agent sheikhs of Kuwait and the Saudi rulers.

"Biased people have even tried to neglect the fate of Palestine as being one of the causes of these events. The tendentious media, which have widespread influence and impact, and the suspect politicians, and those who seek personal objectives – backed by Zionism everywhere – began to focus on the August 2 events to depict them as having taken place without any basis or background, and as though our attention were being devoted only to these events.

"They even issued orders to silence voices and prevent them from mentioning any historical background that would explain to the foreigner or the Arab what he does not know about the reality of the relationship that exists between Kuwait and Iraq, and that Kuwait is part of Iraq. But it was annexed following the conspiracy to weaken the Arab nation, harm its status and role, and weaken every Arab country that has some kind of leverage.

"Something must be done to place the enemies in an embarrassing situation or in an impasse – something that will drive them to behaviour and positions that will make those who have been anaesthetised by hostile media wake up to new facts or new opportunities that will reveal to them the facts, free from covers, so that they can appear as they are: crystal clear.

"There is no regret over [Egyptian President Hosni Mubarak] and may God's curse be on him till doomsday." Just before Mr Saddam's speech allied bombs fell near Baghdad and as Mr Saddam ended with the traditional rallying call of Allahu Akbar (God is greater), air raid sirens wailed again.

Saddam plays right into Washington's hand

By Peter Riddell, US Editor in Washington

THE disappointment expressed yesterday by the White House in response to President Saddam Hussein's defiant radio address was mixed with private relief.

Over the past few days since the Soviet peace initiative was launched, there had been increasing fears in Washington that the Iraqi leader might, with Moscow's help, be able to extract himself from the war with a substantial part of his army intact.

Mr Saddam might then appear to have saved face and, saying he had stood up to the US, be ready and able to launch further aggression.

Yet the tone of yesterday's broadcast suggests that Mr Bush no longer faces the difficult choice of accepting such a messy compromise, or other-

UNITED STATES

wise risking a split in the coalition. Mr Bush's course is now more straightforward.

President Bush wants the Iraqi leader to appear a clear loser – whether through an immediate, unconditional withdrawal or, as now looks more likely, through a resounding military defeat forcing his troops out of Kuwait with most of his army destroyed.

The problem with the Soviet initiative in US eyes was that it appeared to let the Iraqi leader off the hook by merely returning to the position before the invasion of Kuwait.

The US and its allies have prepared a series of demands if Baghdad agrees to withdraw. These include a tight timetable of only a few days for a total pull-out (in effect requiring that some at least of its heavy equipment is left behind), plus the immediate release of all prisoners of war and disclosure of the location of all mines and other traps in Kuwait.

In addition, the coalition would press for adherence to United Nations resolutions requiring reparations for damage, injury and war crimes caused to Kuwait and others.

Economic sanctions would be maintained while these issues were resolved, while a strict arms embargo would be continued to prevent Iraq rebuilding its army and, in particular, reviving its nuclear, biological and chemical weapons programmes.

The US view is that such strict terms would, at minimum, successfully contain Mr Saddam and, preferably, undermine his regime, since already severe economic problems have been compounded by five weeks' bombing.

Mr Bush has, at times, appeared to be extending coalition war aims beyond the UN resolutions by his personal attacks on Mr Saddam, culminating in last week's appeal for the Iraqi military and people to oust him.

But US officials stress that this is not a war aim, but rather a desired outcome which would make sorting out post-war problems in the Middle East less difficult. It is hard to see how Egypt and Saudi Arabia with their current leaders, let alone the US, could work with a Saddam-led Iraq. However, US plans do not assume the removal of Saddam Hussein.

After Mr Saddam's broadcast, Mr Bush's main decision is now over the timing of the full-scale ground offensive and amphibious campaign to capitalise on the success of the five week long air bombardment.

Mr Dick Cheney, the US defence secretary, said yesterday that the allies were preparing "one of the largest land assaults of modern times."

There has naturally been no official indication about timing. Rumours have shifted from day to day. Last week the talk was of continuing the bombing for some time to weaken Iraqi forces further. But by last Sunday the high success rate in destroying Iraqi tanks and artillery – plus the movement of allied troops to advanced positions – raised expectations about a land campaign within days. Yesterday a senior Pentagon official was quoted as citing the same evidence of allied success in hitting Iraqi forces as a reason for delaying the ground campaign a little while.

Either way, there is now no doubt that, barring a last minute Iraqi withdrawal, there will be a full-scale ground campaign.

The fear in Washington, however, is that the Iraqi leader believes that his forces can inflict very high allied casualties in the process – threatening to undermine any political advantage which the US president might gain from the military victory.

Liquidation order for Iraqi bank

By David Lascelles, Banking Editor

THE Bank of England yesterday obtained a provisional liquidation order against Rafidain Bank, Iraq's largest bank.

The Bank said it was making the move to protect depositors of the bank, some of whom are British institutions. Rafidain, which is owned by the Iraqi government, has assets of about £160m in the UK.

Since the outbreak of war, Iraq's many western creditors have been trying to attach assets belonging to the Iraqi government outside the country. The assets of Rafidain are an obvious target.

The provisional liquidation order will enable the liquidators to take control of Rafidain's assets and protect them from claims until a petition for a winding up order is heard in the courts. Rafidain Bank will have the opportunity to fight the petition.

The High Court appointed Mr Alan Barrett and Mr Jonathan Phillips of Price Waterhouse as provisional liquidators.

Yesterday's order applies to the entire Rafidain Bank group, which has assets of about $45bn and ranks about 70th in the world.

Rafidain Bank has virtually ceased operating outside Iraq since the invasion of Kuwait last August. The bank's assets were immediately frozen by all big countries, and its credit lines from other banks were cut.

Saudis praying in the desert as their nation is poised on the brink of a ground war against Iraqi forces

Oil and gold markets reflect uncertainty

By Deborah Hargreaves

OIL AND gold markets oscillated wildly late yesterday as President Saddam Hussein made his address on the Gulf war.

London traders were nervous as, in busy trading, they pushed oil prices back up again after the markets had drifted downwards earlier in the day.

North Sea Brent crude for April delivery rose to $17.65 a barrel just after Mr Saddam's speech after being almost $1 a barrel below that in earlier trading. But the market lost some of its gains later as prices remained extremely volatile and the Brent market closed at $17.50.

Mr Saddam's speech helped to steady a nervous gold market where the bullion price was under pressure for much of the day because of rumours that there might be another big sale of gold by a Saudi Arabian bank.

Gold's price had fallen to $361.50 an ounce in London before reports of the speech saw it recover to close at $363, down $1.20 an ounce from the overnight level.

Oil prices on the New York Mercantile Exchange were weak as traders stood ready to hit a massive sell-off if Iraq accepted the peace proposals. Prices moved up after the speech, but did not stay there for long. "I think people are going to write today off and see what Tariq Aziz says in Moscow," said Mr Ed Kevelson, an oil trader at Dean Witter in New York, "the market was busy after the speech, but now it's calmed down and is quiet again."

The market opened at a lower level as US weekly statistics from the American Petroleum Institute showed that US companies built oil stocks by 5.4m barrels last week.

By midsession, prices had dropped by 40 cents to see the April futures contract trading at $19.18 a barrel.

Meanwhile, Kuwaiti officials said yesterday that there were currently an estimated 50 oil wells still on fire.

Iraqis 'preparing for launch of chemical munitions'

By David White in London and Victor Mallet in Riyadh

INCREASING signs of preparation for chemical munitions to be fired from Iraqi artillery and multi-barrelled rocket launchers, lined up behind the border to fend off an allied ground offensive, were reported yesterday by British defence officials.

Munitions had been dispersed in the forward area over the past few days so as to be made available to front-line units.

The officials added that they also believed Iraq had the capacity to deliver chemical agents on Scud missiles, including the longer-range versions Iraq has been firing at targets in Israel and Saudi Arabia since the conflict began.

The allies had always expected that, when President Saddam Hussein felt his army was in imminent danger of being overrun, he would resort to his chemical arsenal, already used during the Iran-Iraq war, the officials said.

However, reports that Iraqi forces might already have fired cyanide gas aboard rocket-propelled grenades were treated with some caution.

There was also thought be no evidence of biological weapons being distributed among Iraq forces.

Iraq's air force appeared to have ceased participating in the war, and there were no indications yet that it was preparing to play any role in the fighting.

However, despite signs that the morale of some Iraqi army units was crumbling (as shown by the surrender of troops to US helicopters on Wednesday), other engagements in the border region provided evidence of a "reasonably well co-ordinated defence," UK officials said.

This suggested a more cautious assessment of the state of Iraqi morale than that provided by General Norman Schwarzkopf, the US commander.

Allied officers in Saudi Arabia emphasised that they were not underestimating the task which may lie ahead. "There are some [Iraqi] units out there that, if you don't go after them just right, are going to kick your butt," said one US officer.

Furthermore, allied officers said Iraqi commanding officers have been made to sign oaths accepting responsibility for deserters, and enlisted soldiers have had to swear not to desert, said Brigadier-General Richard Neal, deputy director of US central command in Riyadh.

The UK officials repeated earlier warnings that a full-scale land attack could be expected to produce heavy casualties on both sides.

British military analysts said the ground offensive to liberate Kuwait was already effectively under way, albeit at a low level. The increasing series of border actions showed that allied forces were already "rolling down the track" of a land war, they said.

The attacks went beyond the harassment of Iraqi forces and reflected carefully co-ordinated operational objectives.

Allied officials said 30 road bridges had been rendered unusable, as well as several railway bridges and emergency pontons.

A US officer in Saudi Arabia said President Saddam would be able to withdraw most of his functioning equipment from Kuwait – but probably not his damaged vehicles or supply dumps – if he had to pull out in four days. This is the time limit reported as having been suggested by the Bush administration in the event of a ceasefire.

An American officer reported that 421 prisoners, including a battalion commander and his staff, had been captured during a US helicopter raid on a bunker complex on Wednesday. The Americans went back yesterday, found a bunker with some Iraqi documents and rounded up another 14 Iraqis.

Reporting based on formal and informal briefings by the military authorities of all the countries involved in the war is subject to various controls. "Pool" reports from the military zone in Saudi Arabia and reports from Baghdad have to be submitted to censors.

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US energy plan faces conflict in Congress

By Peter Riddell, US Editor, in Washington

THE BUSH administration's new national energy strategy was yesterday given a guarded welcome by leading producers of oil and natural gas, but was criticised by environmentalists.

The plan aims to limit US dependence on imported oil by boosting domestic production of oil and alternative fuels, and by curbing demand through a wide range of conservation incentives which would stop short of higher taxes.

However, the strategy recognises that, at best, the US will continue to import as much foreign oil as it does now.

Mr Charles DiBona, president of the American Petroleum Institute, said the scheme was "a good start in a reasonable direction."

Even so, he thought the proposals might not halt the decline in US oil production. "We would be doing very, very well to hold production at anything like constant."

The Independent Petroleum Association, representing smaller drillers, said the plan fell short of what was needed, since it did not stabilise the price of oil and gas, and did not eliminate tax inequities.

Smaller oil companies are particularly concerned about the 1986 tax changes which made investment in marginal and exploratory wells less attractive.

However, a wide range of environmental groups – including the Sierra Club, the World Wildlife Fund, the National Resources Defence Council, Greenpeace and the Worldwatch Institute – were all highly critical of the plan for a perceived failure to address the scale of the problem, and for being too much directed towards the interests of big oil companies.

Much of the debate is likely to focus on the administration's opposition to mandatory increase in federal requirements regarding car mileage efficiency – known as the Cafe (corporate average fuel economy) standards.

Congressional leaders – including Democratic Senator Bennett Johnston, chairman of the Senate Energy and Natural Resources Committee – favour an increase in such standards, and have included such proposals in their energy packages.

It is likely that any legislation will include stronger measures to encourage conservation and more efficient use of energy.

Mr James Watkins, energy secretary, has questioned claims by Democratic Senator Richard Bryan of Nevada that raising the current standard of 27.5 miles per gallon to 40 mpg would yield average savings of 2.8m barrels a day by 2005. Mr Watkins argues that the savings would be about 500,000 barrels a day, compared with the consequences of allowing market forces to operate freely. He says that the consumer will increasingly choose more efficient cars.

However, an increase in Cafe standards faces opposition from Democratic Congressman John Dingell, chairman of the House Energy and Commerce committee, who comes from the car-making city of Detroit and is a strong supporter of that industry. He has a history of opposing an increase in Cafe standards, and was non-committal about the prospects for energy legislation. "I am a Polish lawyer from Detroit; I am not a prophet," he said.

Venezuelan workers seek 45% pay rise

VENEZUELA'S largest organised labour group, the Federation of Venezuelan Workers (CTV), has called on the government to order a 45 per cent wage increase for all workers and a new minimum wage equivalent to $188 (£95) per month, writes Joe Mann in Caracas.

Mr Antonio Rios, president of the CTV, warned that his organisation would stage mass demonstrations and strikes in support of the wage demands. He also demanded that the government halt what he called "massive redundancies" of government employees.

Venezuelan businessmen have rejected the CTV demands outright, saying that any mandated national wage rise would be folly as the economy is just beginning to adjust to government free-market policies imposed in 1989.

The administration of President Carlos Andrés Pérez denies laying off state workers on a wholesale basis, and says there is simply no government money available for a big wage increase.

The purchasing power of most Venezuelans has suffered from inflation of approximately 36 per cent last year, and over 80 per cent the previous year.

However, Mr Rios's aggressive demands are viewed as a ploy by many observers. The CTV head and other labour leaders recently came under attack for their lavish lifestyles and for alleged irregularities at the Banco de los Trabajadores, a commercial bank controlled by the labour organisation.

The Venezuelan Congress is investigating charges that Mr Rios and other labour officials benefited improperly from the bank's transactions.

Struggling to break a costly stranglehold

Christina Lamb examines the politics of trying to reform Brazil's port system

UNTIL this week, the most momentous date in the history of Brazilian ports was 1808, when the Portuguese King João VI moved his court from Lisbon to Rio de Janeiro and decreed the ports, previously closed to foreign shipping, open to the world.

"Now we need another decision of this magnitude," says Mr Pratini de Moraes, head of Brazil's Foreign Trade Association. His wish may be about to be granted. On Monday, President Fernando Collor signed legislation to deregulate Brazil's ports and end restrictive laws which have operated unchanged since 1934.

Exporters, importers and shippers believe the decision is long overdue. In meetings with the Economy Ministry, multinationals have long insisted that the government's current attempts to open Brazil's long protected market and enforce competition cannot succeed without a complete reform of the ports, which they claim have the highest charges in the world.

Mr Pratini de Moraes points out: "Last year, the government removed non-tariff barriers and made significant reductions in tariffs, yet imports remained less than 5 per cent of GNP. The explanation lies in our port system."

Riddled with monopolies, labour cartels, corruption and bureaucracy and equipped with archaic machinery, the port system is a microcosm of the problems of modernising the Brazilian economy.

"We have too many ports, too many restrictions and too many people," says Mr Pratini de Moraes, adding that, last year, 47,000 people moved 320m tonnes of cargo throughout the national system – compared to 2,000 people in Rotterdam who moved 292m tonnes.

The costs at Santos, Brazil's largest port, which handles more than 40 per cent of cargo, are five times higher than those of Rotterdam.

According to users, the root of this trouble is in the labour monopolies. In Brazil, dockers – who are state employees – are not allowed to move cargo on or off ships. The loaders who do this have a labour cartel preventing shippers contracting anyone but those the union has picked.

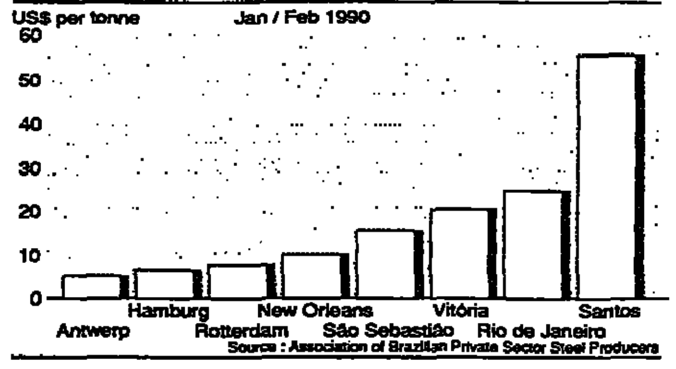
Mr Arthur Andersen, Brazilian representative for the UK Port of Tilbury, explains: "We have no control over labour whatsoever. Loaders are assigned to us every morning and we cannot even choose the gang foreman. Often he is chosen by a system of numbers, which means we can get one with no experience and so no authority."

Loaders are highly paid, the cartel system staving off any fear of unemployment, so there are frequent strikes.

Cartels exist for other sectors, such as security and bag repairmen, whose services must be paid for by all port-users, even though most cargo now travels in containers, not bags.

Even those companies with private terminals must pay these costs, based on volume. Mr Osmar Rebelo de Oliveira, port superintendent for Aracruz and president of the association of private terminals, complains: "We're prisoners of a 50-year-old system."

Costs of loading steel sheets



Source : Association of Brazilian Private Sector Steel Producers

Often those being paid are not those doing the work. Mr Pratinide Moraes says he knows of cases where loaders are earning $4,000 a month while paying $100 to someone else to do the job.

The new legislation to privatise port services is a hot topic and emotions run high. "We are going to fight," says Sheriff, a union representative who prefers that *nom de port*. He claims the system is democratic, adding: "Users don't have to worry about unemployment or sickness – we get paid for what we do."

Mr Marcos Nilo, who has worked at Rio port for 20 of his 38 years and, like many others, lost a finger in ancient crane gear with no compensation, argues: "We've worked this way for 100 years and, if there's anything wrong in the ports, it's because of the government."

Mr João Baptista Quintas Filho, president of the Rio dockers' union, agrees: "It is idiotic to blame employees for inefficiency. The problem is outdated, broken equipment through lack of investment. We are not overpaid. All governments claim their port costs are the highest in the world when they want an excuse to privatise."

At a meeting of Brazilian stevedores' unions in Rio on Wednesday night, it was clear that the government faces a bitter struggle. The 60,000 port workers have powerful backing in Congress from traditional politicians suspicious of opening Brazil.

But the government is intransigent. Unable to sell the ports because of constitutional restrictions, it intends to privatise their operation.

In a message to Congress this week, President Collor strongly criticised the port system: "We must end these practices which function in detriment to society."

To emphasise its resolve, on Wednesday night the government dismissed 5,300 dockers who have been striking for two weeks at Santos, paralysing the port.

The Santos strike – by way of irony – generated competition between the other ports, vying to win business which usually goes to the main port. Mr Celso Parisi, head of the state-owned Rio Port company, said: "Our cargo movement has doubled since the strike, but our costs hardly increased."

Chief supporters of the deregulation plans are steel, paper and pulp exporters. The Brazilian steel industry says its sector made losses of more than $2bn last year, blaming high port charges for reducing competitiveness.

Such claims are unlikely to bring foreign investors flocking to Brazil's forthcoming steel mill privatisations.

Mr Pratini de Moraes intends to lobby hard for the port legislation: "I once met Akio Morita from Sony Corp, and asked him the secret of Japan. He put efficiency of ports at the same level as quality of goods and technology. The port workers should realise that the present system is hindering trade and therefore growth and employment."

Autolatina to be probed over sackings

THE Brazilian government is to launch a federal investigation of Autolatina, the local holding company for Ford and Volkswagen, over its decision this week to dismiss more than 8,000 workers, Christina Lamb reports from Rio.

Ms Zélia Cardoso, finance minister, said: "There is no economic reason for this." Mr Antônio Magri, labour minister, threatened to ask President Fernando Collor for a law to "prohibit dismissals for four, five or six months".

Despite the impending intervention, Autolatina insisted it would not revoke its decision.

But yesterday afternoon, the list of those dismissed still had not been published and intense negotiations were under way among the unions, government and Autolatina directors.

Brazilian metalworkers yesterday occupied factories and surrounded the headquarters of Autolatina.

Mr Luís Antônio Medeiros, head of the São Paulo Metalworkers' Union, said: "These are political dismissals to pressurise the government. We're appealing to public opinion not to allow them."

NEWS ANALYSIS

Statistics fail to justify optimism of Greenspan

Michael Prowse examines the Fed's assessment of the recession

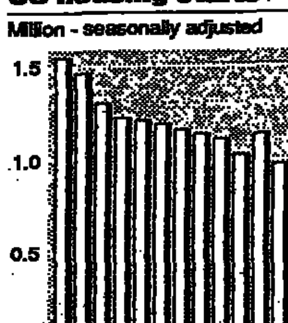
THE US recession should bottom out "reasonably soon," Mr Alan Greenspan, the Federal Reserve chairman, told Congress in his testimony on Wednesday. Mr Michael Boskin, the White House chief economist, was similarly upbeat in last week's Economic Report of the President.

Given the importance of expectations in determining economic trends, policymakers are naturally attempting to shore up business and consumer confidence. Economic statistics, however, so far provide scant grounds for optimism.

The Commerce Department this week released some of the worst figures for housing starts since the 1981-82 recession. Starts fell by 13 per cent last month and are running 45 per cent below the level of January 1990. Building permits – the best guide to future construction activity – were also down sharply.

These poor figures are worrying because construction is typically one of the sectors that leads the economy out of recession.

US housing starts



However the plunge in housing construction was merely the latest in a series of depressing statistics recently. Industrial production fell 0.4 per cent in January. This was not as big a drop as some analysts had feared, but figures for December were simultaneously revised sharply down. In the past four months, production has fallen by a total of nearly 4 per cent – a sizeable drop by any standards.

Suggestions that the severity of industrial recession eased in January were not supported by other indicators. The Purchasing Managers' Index – a widely watched gauge of industrial health – fell heavily to 37.7 per cent compared with 40.5 per cent in December.

Much weaker than expected employment figures for January also indicate that the recession is intensifying.

Total non-farm employment fell by 232,000 to 109.8m last month, a bigger decline than the average monthly drop of 198,000 in the fourth quarter of last year. Employment in construction was particularly badly hit, with 155,000 jobs lost. Nearly half a million construction jobs have been lost since last summer.

Manufacturing fared only slightly better, shedding 70,000 jobs last month; nearly 900,000 manufacturing jobs, or about 4.5 per cent of the total, have disappeared since the beginning of 1989.

Until recently some economists have been cheered by the relative strength of consumer demand. If individuals kept on buying, the argument ran, precautionary cuts in employment and production would have to be reversed.

Surprisingly weak figures for retail sales last week, however, appear to have undermined this tenuous ground for optimism. Sales now appear to be moving into line with indices for consumer confidence which in January fell to their lowest level in a decade

In cash terms retail sales fell 0.9 per cent last month and by 1.4 per cent in the year to January – the first nominal decline for 30 years. Figures for December were also revised sharply down to show a decline of 1.5 per cent.

If allowance is made for inflation the picture looks considerably worse; in real terms retail sales, excluding volatile elements such as cars and petrol, are probably declining at an annual rate of 4 per cent to 5 per cent.

The blunt recessionary message from these domestic indicators was reinforced last week by much better than expected trade figures. The merchandise trade deficit for December shrank to just $6.3bn, a 30 per cent reduction from November. The main reason for the improvement was an 8 per cent drop in imports – almost entirely a reflection of declining US domestic demand.

Recent economic statistics confirm that the US is in the throes of a fairly sharp downturn: a sizeable fall in gross national product is likely this quarter. The figures, of course, are not inconsistent with claims by Mr Boskin and Mr Greenspan that the recession will be relatively shallow by post-war standards. But in forecasting an early recovery, they appear to be relying on economic models and theories rather than hard data.

Devaluation by 55% in Guyana

THE Guyana dollar has been devalued by 55 per cent to a rate of 102 to the US dollar, according to Mr Carl Greenidge, finance minister of the English-speaking South American republic, Canute James reports from Kingston.

The devaluation brings the official rate in line with the parallel market. There was now been a 90 per cent depreciation in the currency in the past 2½ years.

Announcing the devaluation while presenting the 1991 budget on Wednesday, Mr Greenidge said the exchange rate will be adjusted weekly. Fuel payments, foreign debt service, and export receipts from sugar and bauxite will be at the adjusted rates.

Chilean air crash

Twenty US tourists died when a Chilean flight taking them to an Antarctic cruise crashed in southern Chile late on Wednesday, a radio report said, Reuter reports from Santiago. The US embassy said all passengers on a BAe-146, which crashed into the sea near Puerto Williams, were US citizens.

Antarctic aid

President Fernando Collor de Mello of Brazil pledged late on Wednesday Brazil's support for preserving Antarctica as an ecological sanctuary and scientific outpost, AP reports from Comandante Ferraz Station, Antarctica.

He was at the Brazilian scientific and naval station on King George Island, one of the South Shetlands.

Paraguay gesture

Paraguay will renew relations with Nicaragua, these having been suspended 10 years ago after Anastasio Somoza, former dictator of Nicaragua, was assassinated in the Paraguayan capital, officials said, AP reports from Asunción.

General Andrés Rodriguez's government will accept the credentials of a Nicaraguan ambassador on Monday.

Haitian cabinet

A 12-member Cabinet was sworn in late in Wednesday, with key posts filled by trusted advisors of Haiti's first freely-elected president, AP-DJ reports from Port-au-Prince.

President Jean-Bertrand Aristide and prime minister Renel Préval, who is also defence and interior minister, appointed Dr Marie Denise Jean-Louis, a 47-year-old anaesthetist, as foreign minister. Mr Smarck Michel, a businessman who raised funds for Father Aristide's election campaign, becomes commerce and industry minister. Mr Marie-Machèle Rey, a banker, has the finance portfolio.

The exclusion of political parties from the new government angered some party officials and raised the possibility of parliamentary discord.

Croatia raises the political stakes

By Laura Silber in Belgrade

YUGOSLAVIA'S rebellious republic of Croatia yesterday raised the political stakes further by declaring itself sovereign from the federation, a day after Slovenia opted for separation.

Croatia's parliament invalidated all federal laws which "threaten Croatia's interests and sovereignty, territorial integrity or place the republic in an unequal position" to the other Yugoslav republics. The republic's own laws will now take precedence over federal legislation.

Croatia's move towards independence follows that of Slovenia's parliament, which adopted constitutional amendments aimed at creating the legal framework for secession from the Yugoslav federation.

The declarations by the two western republics signal the end of the present federal structures. They were held together by Tito until his death in 1980. Since then, they have been crumbling under the weight of nationalism, ethnic violence, and democratisation.

The decision by Slovenia's parliament allows four months before the tiny Alpine republic of 2m people begins what its government describes as "dissociation" from Yugoslavia.

The two western republics also aim to transform Yugoslavia into an organisation of independent states.

Croatia's steps away from the present federation are likely to be challenged by Mr Slobodan Milosevic, Serbia's president. He says Serbia will seek to unite the 2m Serbs who live outside Yugoslavia's biggest republic if the centralised federation of six republics is changed.

Croatia has strengthened its security forces to cope with the 600,000-strong Serbian minority, some of whom have formed armed militia groups.

Croatia's parliament also assumed the sole right to declare a state of emergency in the republic. There has also been tension between Croatia and the national army after the independence-minded republic refused to disband what central government termed "illegal paramilitary units".

Yugoslavia's political leaders today will meet in an attempt to break the deadlock over the country's future structure.

Bonn seeks to slow pace of monetary union

By David Marsh in Bonn

GERMANY will resist French ideas for moving quickly towards significant changes in European currency co-operation, in a document likely to be published soon in Bonn for the European monetary union (Emu) talks.

Bonn's proposals for a draft treaty on Emu, which are eagerly awaited by other European governments, are a matter of great diplomatic sensitivity.

The German government wants to find a formula avoiding a pledge to make important changes when the second stage of the move towards Emu comes into force on January 1 1994. But Bonn also wants to reassure France that there has been no diminution in its longer term commitment to setting up a single European currency run by a single European central bank.

France has been irritated by recent suggestions that Bonn is favouring the views of the British government, which wants to slow down fulfilment of stage two as part of a bid to brake the general Emu process.

Bonn officials were yesterday unsure when Bonn's draft treaty document would be published, partly because of how to deal with countries such as France. The matter is in the hands of Mr Horst Köhler, state secretary at the Finance Ministry. One official said the document would not be published before the next round of meetings next Monday and Tuesday in Brussels of the EC's Inter-Governmental Conference on Emu.

Priorities clearly differ between the Bonn Foreign Ministry, which wants to maintain strong momentum to Emu, and the Finance Ministry. Backed strongly by the Bundesbank, Mr Theo Waigel, the finance minister, believes the best solution would be to make stage two little more than an extension of the present stage one – Europe's system of fixed but adjustable exchange rates, which is in practice dominated by the Bundesbank.

The French government wants to set up an embryonic European central bank as part of stage two. France agrees with Germany that national central banks should not transfer to the new institution any sovereignty over monetary policy before the start of stage three, the move to a single currency.

Paris, however, wants the new European institution to have power to manage currency reserves and to intervene on the exchange markets – a proposal rejected by Bonn.

The Bundesbank and the Finance Ministry both believe that the French desire for a new institution should be met simply by upgrading the present committee of EC central bank governors. It is unlikely that this suggestion would go far enough to satisfy France.

Bonn also wants European countries to take firm action during stage two to make their national central banks independent. The Bonn government and the Bundesbank sees this as a natural pre-condition for moving to stage three, which envisages a European central bank fully independent of member governments.

● Mr Waigel announced yesterday that German petrol and oil taxes would be raised as expected on July 1.

A supporter of Boris Yeltsin in front of the Russian federation parliament yesterday. The banner reads "the President and the Supreme Soviet of the Soviet Union should resign."

Yeltsin faces his toughest challenge

By John Lloyd in Moscow

Mr Boris Yeltsin, President of the Russian Federation, now faces the biggest trial of an already trying life.

The depth and the venom of the attack unleashed upon him since his call on Monday night for the resignation of Mr Mikhail Gorbachev, the Soviet President, has signalled a concerted push by hard liners in and around the Communist Party and the military to destroy him politically, and with him his associates in positions of authority in Russia, who are a terrible nuisance to the newly-vigorous conservative forces.

The call yesterday for a speedy convocation of a special session of the Federation parliament to take Mr Yeltsin to task for his remarks is aimed at providing a forum for forcing his resignation. With Mr Yeltsin gone, the way would lie open for reform, new style: a reform which is explicitly billed as top-down, disciplined and determined to preserve the union of the 15 republics.

In interviews yesterday two of Mr Yeltsin's closest aides and supporters explained how they expected events to unfold. Mr Oleg Poptsov, chairman of the future Russian television service and a member of the Yeltsin inner circle, said that a vote to force Mr Yeltsin's resignation might itself be a cause of civil war. "The situation in the country is very tense. Even a small spark could ignite an explosion".

Mr Yevgeny Ambartsumov, a senior foreign policy analyst and a Russian deputy, said "the attack was coordinated in the press and media, in the USSR Soviet and now in the Russian parliament. They are putting everything into it".

The key questions are these: will those opposed to Mr Yeltsin manage to force an extraordinary session before the referendum on the future of the Union, on March 17? Will they win a vote of no confidence? And if they do, can they replace Mr Yeltsin with a hard liner who can effectively roll back what he has sought to do?

The constitutional issue is clear only up to a point. According to Mr Ambartsumov, the group of senior members of the Russian parliament presidium who have called for the extraordinary session have mustered enough votes – one fifth of the 1,048 deputies – for the session to take place. However, it is not clear when it should take place.

The anti-Yeltsin forces are pressing for the special session to be held before the March 17 referendum. But according to Mr Ambartsumov, it is not clear if they have the constitutional right to decide the time.

The Russian parliament approved a move earlier this week to add two questions to the main referendum question on whether or not to support a renewed union of the 15 republics. Russian citizens will be asked: do you want Russia to become a free, sovereign republic? and do you want a popular vote for the Russian president?

The hardliners want to force – and win – a vote against Mr Yeltsin before the referendum, so that he will be seen to be a beaten man before the Russians vote. For the same reason, Mr Yeltsin's supporters are fighting to have the special session in the second half of March, after the referendum.

Whatever the date chosen, who will win? Both Mr Ambartsumov and Mr Poptsov believe Mr Yelstin will carry it – though it will, they say, be narrow. They say that, first, the hardliners have no candidate of stature to put against him. Second, even those deputies who have large doubts about Mr Yeltsin, and concede that his attack on Mr Gorbachev was politically unwise, will recognise his popularity with the people. Third, the furious campaign whipped up by the Communists against Mr Yeltsin may backfire, with deputies reacting adversely to the pressure.

Against this must be set the fact that the trend in the Russian parliament has been running against Mr Yeltsin, as deputies switch to the hardline side (there is presently no centre), and those who oppose him – Mr Gorbachev, the Presidential circle, the Soviet government, the army, KGB and apparat – are powerful.

Mr Yeltsin has survived much: an impoverished childhood, a climb up the greasy pole of Communist officialdom to the Politburo itself; sacking from the Politburo in circumstances so vicious they caused physical collapse; even, he claims, attacks on his life. The pressure on him now surpasses his largest challenges: the stakes are huge, for Mr Yeltsin and for his opponents: and thus for the Soviet Union.

Mr Douglas Hurd, the British foreign secretary, yesterday called on the west to resist any temptation to turn its back on Moscow in response to signs of retreat from reform and instead to "redouble support for all those working for a more enlightened Soviet Union", writes Anthony Robinson. To do otherwise, Mr Hurd added, would encourage isolationist forces in the country.

Mr Hurd told the Great Britain-USSR Association that the Soviet Union and the world in general had benefitted enormously during the six years of Mr Mikhail Gorbachev's leadership. Most of the gains were irreversible but some advances could be stopped, he warned, noting "some signs of regression" in the last six months.

After listing recent threats against republican and city leaders, media restrictions and the clamp down in the Baltic states Mr Hurd said the proper response to such turbulence was not "to turn our backs" but "keep all channels open and redouble support for those working for a more enlightened Soviet Union more closely integrated with the rest of the world."

The anti-reformers he added "can check democraticisation, force the country to take a step or two backwards but they will not succeed in shaping its future."

Differences narrow over role for WEU

By Ian Davidson in Paris

EUROPEAN foreign and defence ministers, meeting in Paris today, are expected to agree in principle that the nine-nation Western European Union should play a larger role in the future defence of western Europe.

But they may still fail to reach complete agreement on the nature of the enhanced role for the WEU, as a result of continuing differences between Britain and France over the organisation's relationship with the European Community on the one hand, and with Nato on the other.

If the ministers should reach agreement on a common text, they would then feed it into the European Community's inter-governmental conference on political union.

The French take the view, as reflected in recent joint Franco-German proposals, that the WEU should become the defence arm of the EC, and should in time be effectively absorbed by the Community.

The British government, with strong support from the Netherlands, argues that a strengthened WEU should occupy a more balanced position between the Community and Nato. They oppose in particular French suggestions that the EC summits of heads of government should be empowered to hand down instructions for the WEU to carry out.

This disagreement is now less acute than in the past, however, since both sides have moved towards more moderate positions.

Despite its generally Eurocentric approach, the Franco-German paper also maintains that a stronger WEU should be a channel of co-operation between the Community and Nato, and argues that the reinforcement of the WEU would also reinforce the Atlantic alliance. The UK is not now wedded to an Atlanticist view of defence, and is readier to recognise the need for a more self-reliant European pillar within the alliance.

The two other outstanding points of difference facing today's ministerial meeting are the question of the membership of the WEU, and the location of its institutions.

In line with their Community-centred approach, France and Germany emphasise the case for giving observer status to Denmark, Greece and Ireland, which are members of the Community but not of WEU. Eventually they advocate the principle of including all 12 members of the Community in WEU.

Britain maintains that the membership issue should be more equally balanced between potential members in the EC and potential members in Nato. In particular, it opposes active discrimination against allies on Nato's flank, such as Norway and Turkey.

In practice Norway and Turkey, as well as Denmark and Greece, have all attended WEU meetings as observers during the Gulf crisis.

In line with its pro-Nato stance, the British government has often argued that the WEU's council and secretariat should move from London to Brussels to strengthen the organisation's links with Nato. After long resisting any such move, the French government now appears readier to support it, as a way of strengthening WEU's links with the EC.

Rome under pressure to aid Alitalia

By John Wyles in Rome

PRESSURE mounted on the Italian government yesterday to provide financial help for the troubled national airline, Alitalia, after trade unions rejected the management's economy proposals.

Mr Paolo Cirino Pomicino, Italy's budget minister, has so far insisted that the crisis in public finances makes it impossible to find money for Alitalia, which is heading for L500bn (£230m) losses this year because of the slump in airline travel since the Gulf war started.

He says the airline's parent company, Iri, should find the necessary resources.

Alitalia says it needs to cut 2,500 jobs but is hamstrung by the lack of mechanisms for redundancy in the Italian public sector.

The package rejected by the unions yesterday included salary cuts through a 12.5 per cent reduction in working hours, bringing forward holiday entitlements and abolishing special rates for working during weekends and holiday periods, a year's postponement of negotiations on a new pay deal and an early retirement scheme.

With the French government supplying some £200m to sustain Air France through current difficulties, it somehow seems unlikely that Italian ministers will court industrial action in defence of their budget deficit targets.

Moldavian president threatens to quit

THE NATIONALIST president of the Soviet republic of Moldavia, Mr Mircea Snegur, yesterday threatened to resign because of a smear campaign by the Communist party but said he would appeal to voters for a direct mandate to retain power, writes **Leyla Boulton** in Moscow.

The move puts Mr Snegur in a similar position to Mr Boris Yeltsin the embattled Russian leader who is trying to get himself directly elected as president of the Russian Federation before the Communist Party and hardline Russian deputies try to oust him as the parliament's chairman.

Mr Snegur, a former Communist official, complained of "increased media attacks" by the republic's Communist party since it was taken over by a pro-Moscow hardliner earlier this year. He offered to resign but proposed staying in office until the republic held elections for a new executive presidency.

"A president can only feel confident when there is popular backing. Our republic is in a crisis and parliament should share responsibility for this. It is essential to pass a law on a popular presidential election and then organise a popular vote," he said.

Mr Snegur, who was elected by parliament, reiterated his commitment to obtaining genuine sovereignty for Moldavia and his opposition to holding a referendum next month on whether voters wish to remain part of a "renewed union".

Parliament, which elected Mr Snegur, swiftly rejected his resignation and began discussing proposals for direct presidential elections.

It has already rejected holding the referendum which President Mikhail Gorbachev has set for March 17.

But as the date approaches, the Communist party and the central government have stepped up attempts to discredit independent-minded parliaments.

The Moldavian leader also complained of "back-stage scheming" against him in the parliament, which still includes many Communists. Pointing to internal divisions within the republican leadership, he added that he found it difficult to work with the prime minister, Mr Mircea Druk.

"He is quick tempered and switches to a high-pitched tone every time you criticise him. Sometimes we are not even able to complete a conversation."

Czechoslovakia approves land restitution bill

PROPERTY illegally seized by the former Czechoslovak communist regime between 1948 and 1989 will be returned to its former owners or their heirs, under a restitution bill approved by the Czechoslovak parliament yesterday, writes **Anthony Robinson**.

Property worth an estimated Kcs300bn ($9.9bn) will be returned, in a move aimed both at correcting a historic injustice and at re-creating a property-owning middle class capable of accelerating Czechoslovakia's market-oriented economic reform policies.

The new law, piloted through parliament by Mr Vaclav Klaus, the finance minister, does not cover big industries and land which was nationalised immediately after the war but before the communist takeover in 1948, or property which was legally nationalised before and after 1948.

Only 10 per cent of formerly private property will be returned under the new law, as real estate or in the form of bonds.

The future of legally nationalised properties and former church land will be decided later by a so-called "big privatisation" law.

The country's main private banks and biggest private enterprises, like the Tomas Bata shoe combine, were nationalised before the communist regime took over in 1948 and are not affected by the new law.

● Czechoslovakia yesterday became the 25th member of the Council of Europe at a ceremony at the council extraordinary meeting in Madrid.

Athens to streamline system of filling jobs

THE GREEK government is proposing to streamline the country's civil service and abolish the traditional *rousfeti* system of filling public sector jobs with political appointees, writes **Kerin Hope** in Athens.

A bill presented to parliament by Mr Miltiades Evert, minister to the prime minister's office, is in line with conditions set by Greece's European Community partners for granting an Ecu2.2bn ($2.97bn) special loan.

The European Commission has demanded a 10 per cent cut in public sector staffing by 1993, which means the loss of some 65,000 jobs.

Mr Evert said this would be achieved "through a hiring freeze and natural attrition, while the new law will make sure there isn't any backsliding in the future." He said that since coming to power last April the Conservative government had fired 21,000 of 25,000 temporary civil servants appointed in 1989 by the former Socialist administration.

The bill requires candidates for the civil service to sit competitive exams to be adjudicated by a committee of professors chosen by lot. Promotion will be based on merit rather than length of service. Also included in the bill is a Dr5bn £16m ($31.68m) computerisation plan for government ministries; other provisions aim at speeding up decision-making. For example, only three signatures will be required on official documents as opposed to about a dozen at present.

French deficit increases

France's current account deteriorated sharply in December, with the deficit growing to FFr6.9bn ($1.39bn) from FFr340m in November, according to provisional figures published yesterday writes **Ian Davidson** in Paris.

Most of the increased deficit was accounted for by a deterioration on the visible trade balance, where the shortfall rose from FFr3.3bn to Ffr8bn. The December figure brought the total current account deficit for the year to FFr42bn, compared with FFr27bn in 1989. Much of the deterioration was accounted for by the visible trade account, where the deficit increased from FFr65bn to FFr74bn.

Dublin postpones postal closures

The Irish government has been forced to postpone plans to close more than 500 post offices following fierce opposition to the move, particularly in rural areas, writes **Kieran Cooke** in Dublin. An Post, the state-run postal service, says it is reconsidering the closure plan but insists that 1,500 jobs must go in order to stem losses.

Poles held over forged dollars

Polish police have arrested two people accused of forging almost perfect $100 notes, Reuter reports from Warsaw, quoting the PAP news agency. Experts could only tell them from real ones after they had been magnified eight times, said a spokesman. Even experienced private money changers were accepting the notes.

Danish accounting laws tightened

Denmark's accounting laws are to be tightened as a direct result of a scandal concerning the Northern Feather Group, the listed bedding and textiles group, writes **Hilary Barnes** in Copenhagen. The group was put in the hands of the receivers with debts of more than DKr3bn (£272m) following the suicide of its chairman in November. The Northern Feather crash was the biggest financial scandal to hit Denmark for several decades.

Belgium comes a cropper over its border fences

By David Gardner in Brussels

THIS YEAR'S visa-issuing performance of Brussels, the *soi-disant* capital of Europe, has probably not advanced much the cause of unfettered movement of people around the brave new Community that beckons from just over the 1992 horizon. Nor has it embellished Belgium's reputation abroad.

First came the embarrassing presence of Walid Khaled, the spokesman for the renegade Palestinian faction led by the terrorist Abu Nidal. He was identified by a passing Flemish honorary consul for a small Far Eastern nation while browsing in Brussels' Grande Place and was found to possess a tourist visa.

His tourism was linked to the deal last month whereby a Belgian family held hostage in the Middle East was repatriated from Libya in exchange for the release of a convicted Abu Nidal operative held in Belgium.

The affair, known locally as "Silcogate" after the name of the yacht from which the family was seized in 1985, was concluded amid press allegations of ransoms, slush funds, and unaccountable "scholarships" – confirmed in parliament by the government – for Palestinian students.

Mr Mark Eyskens, the foreign minister, survived an attempt by parliament to force his resignation. Three smaller heads in his ministry rolled instead. The Justice and Interior ministries – seemingly responding to Belgium's complex coalition politics more than collective responsibility – were content to apportion blame to the Foreign Ministry.

The Brussels diplomatic corps, Gulf coalition representatives of which were already irritated by Belgium's refusal to supply Britain with ammunition for the war against Iraq, held their collective nose.

But now the "Atlanticist" Foreign Ministry has been able to turn the tables, and point the finger at the Justice and Interior ministries, for what the Belgian newspaper Le Soir described yesterday as a "Khaled affair in reverse".

At the weekend, the Zairean opposition leader, Mr Etienne Tshisekedi, was prevented from boarding a flight to Lisbon from Brussels, on the grounds that the Justice Ministry had issued an order banning his *entry* into Belgium for 10 years from April 1 1988. A fracas ensued between Mr Tshisekedi's supporters and the airport gendarmerie.

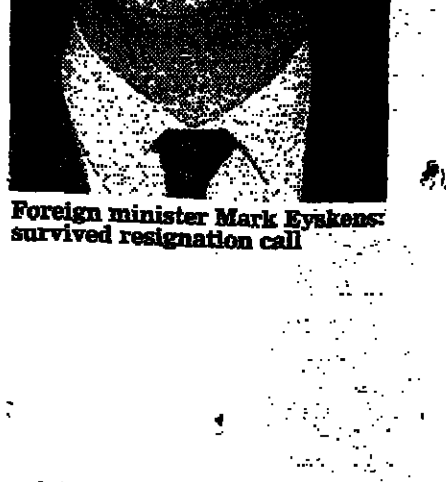
The Zairean politician, who had held talks with Belgian government officials before returning to test President Mobutu's recently stated commitment to democracy, was outraged. He accused the justice minister responsible for issuing the order of being in the pay of Mr Mobutu.

He was referring to Mr Jean Gol, who now heads parliament's foreign affairs committee and has promptly been dubbed "Own Gol" in political circles here. This is as much as anything for trumping the incident by publishing an article calling for the "normalisation" of Belgium's strained relations with Zaire, comparing the bonds with the former Belgian colony to that of "two old lovers ... who can't quite separate". Mr Gol has started legal proceedings against Mr Tshisekedi for defamation.

The increasing frequency of this sort of incident has caused much national hand-wringing about the apparently haphazard nature of Belgian security policy and diplomacy, which are already under scrutiny because of Belgium's lack of clarity on the Gulf war.

It is, in addition, pointed out by diplomats in Brussels that Belgium is not providing ideal publicity for the abolition of intra-EC checks on people crossing frontiers which it has espoused along with its colleagues in the so-called Schengen group of Community members (the other Benelux countries, France and Germany).

The UK in particular is concerned that any such move will lessen its ability to control everything from incoming terrorists and drug traffickers to rabid dogs. Reliance by its neighbours on alert Flemish honorary consuls and controls on entry at the time of exit are unlikely to dissuade it from this view.



Foreign minister Mark Eyskens: survived resignation call

WORLD TRADE NEWS

Sara Lee buys into Hungarian food company

By Nicholas Denton in Budapest

SARA LEE Corporation, the Illinois-based food-processing company, said yesterday it was taking a 40 per cent stake in Hungary's state-owned Compack Trading and Packing Company with options to increase its share to 51 per cent and beyond.

The announcement came as Hungary's privatisation authorities revealed a battery of initiatives to reduce the extent of state control from 85 to 50 per cent of the competitive sector of industry within three years.

Sara Lee's equity investment in Compack, Hungary's third largest food company which made profits of over Ft900m ($14.85m) in 1990, is one of the largest since joint ventures began to proliferate in 1989. Company officials would not reveal the size of the transaction but it is understood to involve a cash payment of about $60m.

Mr Jan Konings, chief financial officer of the European arm of Sara Lee, said that the purchase's strategic objective was expansion into eastern Europe, particularly into Poland and Czechoslovakia: "Hungary is so centrally placed that we can use facilities here for export or whatever."

Compack Douwe Egberts, the new joint venture, will add Sara Lee shoe-care, baby-care and body-care lines to Compack's existing coffee-roasting, grocery and household products. Hungarian demand for such consumer goods is demonstrated by the high premium paid for western imports, which have increased strongly despite economic recession.

Also yesterday, Hungary's privatisation authority said that investors would soon be allowed to initiate "raids" on state companies. Mr Karoly Szabo, deputy director of the State Property Agency, released a brochure inviting bids for state companies not included in other privatisation programmes.

The SPA promises to respond quickly to any approach, to find counterbidders and then to choose the winner. Mr Szabo said that the privatisation of about 30 companies by this "investor-initiated" method was already under preparation.

The rules of the brochure only clearly exclude monopolies, utilities and financial institutions as raider targets. But the SPA this week started the long process of privatising Hungary's profitable yet debt-ridden banks by setting up a committee to come up with proposals for the government.

Mr Szabo also revealed that the SPA hoped to privatise at least half of its Ft70bn portfolio of shares in state companies which have already been transformed into share companies. This would provide an opportunity for foreign investment funds, which have committed well over $300m to Hungary but which have had trouble finding companies to buy.

GE wins $500m order for jet engines from Seoul

By Paul Betts, Aerospace Correspondent

GENERAL Electric of the US has won a $500m order to supply engines to power 23 Boeing aircraft ordered by Asiana, the South Korean airlines.

This is the biggest order for commercial aero-engines to have been placed by an international airline so far this year.

It reflects the more buoyant state of the airline industry in the Asia-Pacific region compared with US and European carriers which are currently under heavy financial strain because of the Gulf war and the recession.

Although airlines in the Asia-Pacific regions have also been hit by the decline in international passenger traffic to Europe and the US markets, demand has remained relatively strong in the area.

Asiana, which was established as Korea's second carrier in 1988, operates international services from Seoul to Bangkok, Hong Kong, Singapore, Taipei and Japan.

GE said yesterday that the Korean carrier had selected its CF6-80C2 engine to power seven firm Boeing 747-400 jumbo aircraft, as well as eight firm Boeing 767-300 aircraft.

The airline also ordered CFM56-3 engines to power eight firm Boeing 737-400 aircraft.

The CFM engines are jointly manufactured by GE and Snecma of France.

S Korea trade with Soviet Union grows

By John Ridding in Seoul

SOUTH KOREA'S trade with the Soviet Union and China continued to grow rapidly last year, expanding by 27 per cent to a combined total of $4.74bn according to the Ministry of Trade and Industry (MTI).

The ministry said further strong growth was expected this year, fuelled partly by the extension of loans by the South Korean government to the Soviet Union and by the opening of a trade office in Peking earlier this year.

In 1990, as in previous years, most of South Korea's trade with socialist countries was accounted for by China. Bilateral trade rose by 22 per cent to $3.85bn, with South Korea recording a deficit of $688m.

South Korea's principal exports to China were synthetic fabrics, leather, paper and raw materials. Its main imports were bituminous coal, crude oil, petroleum products and cement.

Trade with the Soviet Union increased by almost 50 per cent to $889m. Korean exports, which included electronic consumer goods, textiles and steel products, rose from $208m in 1989 to $519m. Imports, which included pig iron, coal, aluminium and frozen fish fell slightly to $370m.

In January, the South Korean government announced a $3bn, three-year loan package to the Soviet Union, much of which is tied to purchases of Korean consumer items and capital goods. The first part of the loan, which is estimated at about $1.5bn, will be extended this year.

South Korea's trade with eastern European countries also increased sharply last year. According to the MTI, bilateral trade with Czechoslovakia, Romania, Bulgaria, Albania, Yugoslavia, Poland, Hungary and East Germany (before reunification) almost doubled to a combined $754m.

Products shipped to eastern Europe were mostly colour televisions, video recorders, cars and textiles. Imports largely comprised metals, chemicals, and agricultural and fisheries products.

● Strong growth in capitalist Taiwan's trade with communist China last year is expected to continue in 1991 as the island's businessmen regain confidence in the political and economic stability of the mainland, economists said, Reuter reports from Taipei.

Official figures released yesterday show two-way trade between Taiwan and China conducted through Hong Kong rose about 16 per cent to a record $4.04bn in 1990 from $3.48bn, the previous record, in 1989.

Taipei, which is still technically at war with Peking, bans direct trade between the two sides. Economists estimate over 90 pct of bilateral trade goes through Hong Kong.

Trade growth slowed considerably in the months after the June 1989 military crackdown on pro-democracy demonstrators in Peking, but economists said Taiwanese businessmen were regaining their enthusiasm for China as time passed and Peking improved its international image.

"Local businessmen's confidence in China is probably higher now than at any time since the crackdown," said Li Hua-hsia, an analyst at the Chung Hwa Institution for Economic Research.

Economists said trade had also risen because China's economic growth picked up last year and Peking began relaxing a policy of sharply limiting imports towards the end of 1990.

"We believe the relaxation will continue, and this will help Taiwan businessmen a lot in exporting their products to China," said Kao Charng, another economist at Chung Hwa. "I believe trade could reach $5bn this year," he added.

Economic links between the two sides began expanding rapidly in 1987, when Taipei relaxed restrictions on travel to the mainland. Trade was worth $1.5bn that year. The trade balance is heavily in favour of Taiwan, which ran a $2.5bn bilateral surplus last year. The island imports mostly agricultural goods and marine products, while it exports to the mainland electronics, machinery and petrochemical products.

Farm trade success still hinges on CAP reform

William Dullforce explains that most of the outstanding issues still remain, despite the Gatt formula

HOPES of freeing world farm trade from the distorting effects of more than $200bn in annual subsidies have revived after the principal countries concerned agreed on Wednesday to a formula for continuing negotiations.

Yet, most of the outstanding issues, which have thwarted negotiators over the past four years, have still to be resolved and success depends largely on the pace and efficacy of the European Community's internal reform of its common agricultural policy.

Trade diplomats yesterday expected progress to be slow with the next test of governments' willingness to strike a deal unlikely to occur before the autumn.

Apart from the fact that it rescued the whole Uruguay Round, the merit of the formula proposed by Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), is that it disentangles the farm talks from the shambles into which they had collapsed at the meeting of world trade ministers in Brussels in December.

Negotiators now know their objective. Their governments have undertaken to reaching "specific binding commitments" to reduce farm supports in each of three areas: internal assistance, border protection and export subsidies.

This division of the goal, seen as indispensable by the US and the 14 farm-exporting nations in the Cairns Group, had been blurred by some powerful EC member states, notably France, who wanted reductions linked to a yardstick that would allow them to cut deep in some areas.

On the other hand, the Dunkel formula omits any reference to the prior conditions for resuming the talks which Mrs Carla Hills, US Trade Representative, had been pressing the EC to accept.

The Community has not formally abandoned its "rebalancing" concept, under which it might raise tariffs on some imports while it reduces barriers to others. But nor is it saying that "rebalancing" is indispensable.

For the US and Cairns Group the Dunkel formula means that they have at last tied the EC down to the undertaking which they claim Germany, Britain, France and Italy gave at the Houston summit meeting of the leaders of the G7 industrial countries last July – to negotiate specific commitments.

GATT

The agreement on Wednesday should enable negotiators to "set up the machinery (for farm reform) into which we can inject the figures later," one top diplomat said

Wednesday's agreement should enable negotiators to "set up the machinery (for farm reform) into which we can inject the figures later," one senior diplomat said.

Formally, governments have to fall back on the offers they submitted last year. The US and the Cairns Group had asked for reductions of 90 per cent in export subsidies and 75 per cent in internal supports and import barriers over 10 years, while the EC was offering little more than a 30 per cent cut in domestic assistance.

The proposal of 30 per cent reductions in all three areas over five years tentatively put on the table at the ministerial meeting in Brussels lapses.

Still, the compromise is an uneasy one. The US and Cairns Group may be overestimating the speed with which the EC will change its common agricultural policy in response to the steep escalation in its cost.

European officials stick publicly to the view that CAP reform is a purely internal matter unrelated to the Gatt talks on multilateral trade.

At the multilateral level some hardcore issues can only be tackled when the thrust of the CAP reform becomes clear.

Internal supports are regarded as the easiest of the three areas. Some form of common yardstick will have to be used to measure reduction in the multiplicity of farm aids.

Mr Dunkel suggested that technical work could start immediately on defining supports, such as direct, non-trade distorting payments, which could be excluded from the commitment to reduce. But the switch to direct payments for EC farmers proposed by Mr Ray MacSharry, Farm Commissioner, has yet to be agreed.

In border protection a major US and Cairns Group aim is to have no other barriers to imports than tariffs applied in accordance with Gatt rules. This could undermine the double pricing system of the CAP which is why EC negotiators have insisted on introducing a "corrective factor" that in practice would allow the Community to retain its variable levy on imports.

After four years of negotiation in Gatt's Uruguay Round agreement still has to be reached on what constitutes an export subsidy. Negotiators need to agree what types of government export-enhancing finance are to be subjected to international disciplines.

Debate on agriculture remains in limbo

By David Gardner in Brussels

THE European Commission's radical plans to reform the Common Agricultural Policy (CAP) remain in limbo, despite the EC's commitment to reach binding agreements on international farm trade rules within the Gatt.

The hostility of member states in the European Council (of farm ministers) now makes it almost certain that substantive debate on CAP reform will not resume until the summer, with the interim taken up by Commission efforts to bring the soaring farm subsidy bill under control.

Mr Ray MacSharry, EC Agriculture Commissioner and author of the reform plan, confirmed last week that it would be mid-year before the Commission came up with formal proposals.

A detailed blueprint of his plan, leaked in January and calling for swingeing price support cuts offset by compensation weighted towards small farmers, is what has excited the hostility of farm ministers and the big farm lobbies.

After his battering at the last farm Council earlier this month, Mr MacSharry had clearly decided to settle in for the long haul. He pointed out that he still had two years in office.

As his immediate priority, Mr MacSharry has to get a farm price package for the 1991 marketing year through Council by the end of next month, though it is by no means clear the EC can meet this timetable.

The Commission, in an internal memorandum leaked earlier this month, foresees an Ecu7.9bn (£5.57bn) rise in farm spending this year, to a total of Ecu33bn.

This means that sharp cuts in price support and EC intervention, as well as a supplementary budget, will have to be introduced to keep the CAP within the binding limit, or "guideline" on farm spending set in 1988.

But it is far from clear how quickly – or indeed, whether – the EC can commit itself simultaneously to cut domestic farm support, increase market access for outside farm produce, and reduce export subsidies, to near the levels sought by its Gatt partners.

At the failed Uruguay Round summit here in December, the EC proposed a 30 per cent cut in internal subsidies, over 10 years starting from 1986. This compared with demands by the US and Cairns Group of agricultural exporters for a 75 per cent cut over the next 10 years. In addition, the US and Cairns wanted a 90 per cent cut in export subsidies.

Just before the talks collapsed, the EC improved its offer informally, to allow imports up to "at least 3 per cent" of EC consumption, to negotiate limits on export subsidies, and to lift protection on oilseeds and soya beans.

This informal offer remains the EC's formal position, Commission officials strain to make clear.

The farm Council this month mandated the Commission to be flexible on the EC's original offer, they add.

However, this year's inevitable price cuts will not be deep enough to inhibit farmers from producing more to make up the income loss - since without CAP reform there will be no compensation for cuts. The surpluses which end up in costly stockpiles are thus likely to continue.

The cuts envisaged in the full-blooded MacSharry plan would, all but eliminate the need for export subsidies. But as yet there is no sign of an EC consensus behind that kind of radicalism.

Oslo salmon dispute to be heard by commission

By Karen Fossli in Oslo

NORWAY'S salmon exporters have been hit by two countervailing duties on imports by the US in a trade dispute over salmon which is to be heard by the International Trade Commission (ITC) in Washington next week.

The US has charged Norway with subsidising its salmon farming industry in violation of Gatt rules and selling its salmon in the US market at prices below the cost of domestic production.

One tariff is for 2.27 per cent of the total price per kilo of salmon for alleged subsidies while the other is set at 23.8 per cent and has been levied because of US claims that Norway is selling salmon in the US at dumping prices.

Trade relations between Norway and the United States have been deteriorating over a number of years but the dispute over salmon has deepened Norwegian animosity towards the Americans who they feel have overstated their claims against its fish-farmers.

Mrs Gro Harlem Brundtland, Norway's prime minister, warned that the salmon case was to be taken up with US officials at a high political level and that Norway might decide to take the dispute before a Gatt panel.

She said yesterday that if the tariffs were upheld it could undermine the economics of exporting salmon to the US and therefore pose a threat to employment and the maintenance of population in the remote region of northern Norway where the main bulk of the country's salmon is farmed.

An official in the Norwegian ministry of foreign affairs said that a final decision by the ITC is due by April 1.

He said the ITC would be seeking to establish whether the US domestic fish-farming industry has been damaged because of the US allegations, and if there could possibly be future damage.

The US imports about 13,000 tonnes of Norwegian farmed salmon annually, worth about $700m (£353m).

Last year the US levied a duty of 2.96 per cent on Norwegian salmon imports as it prepared its case for the ITC. Separately, Brussels had earlier launched an inquiry into claims that Norway has been dumping salmon on the EC market.

Mrs Brundtland said it was easy for small countries, which are outside big trading blocks, to be damaged by the imprecision of Gatt rules. "It is therefore important that the Uruguay Round can be resolved as soon as possible."

Gro Harlem Brundtland: dispute might go to Gatt

Five Indian ministers confirm resignations

By David Housego in New Delhi

MR V.C. Shukla, the Indian foreign minister, and four other ministers formally resigned yesterday after being disqualified as members of parliament by the speaker.

The resignations were handed to President R. Venkataraman only a few hours before he addressed parliament at the opening of the budget session.

Earlier it was announced that the budget – due to be presented next week – is to be postponed. Parliament is being asked to approve instead a vote on account, which allows the government to continue with normal expenditure but not to raise fresh taxes.

The prime minister, Mr Chandra Shekhar, has still to announce a replacement for Mr Shukla and to carry through the necessary cabinet reshuffle.

The absence of a foreign minister comes at a key moment in the Gulf crisis when India is also a member of the UN Security Council.

Mr Shukla and his colleagues were disqualified by the speaker under the anti-defection laws after they switched party last year to back Mr Chandra Shekhar in toppling the former prime minister, Mr V.P. Singh.

Against the wishes of Mr Chandra Shekhar, the Congress party insisted that they should resign their posts in respect for the constitution. Both of the main opposition groups – the Hindu BJP Party and the Janata Dal-Left Alliance – boycotted the president's address.

The BJP was protesting at the postponement of the budget. Mr L.K. Advani, the BJP leader, blamed Mr Rajiv Gandhi's Congress party for forcing the postponement on the government. He said: "The government would have rendered a service to the country if it had refused to buckle under this pressure."

Mr V P Singh's Janata Dal stayed away in protest at the dismissal of the Tamil Nadu government.

Indian auto industry shows the strains of recession

The barometer of the country's industrial health is predicting unsettled times, Gita Piramal writes

FOR THE first time in its 45-year history, Bajaj Auto, the world's second largest scooter company and a barometer of Indian industry, has laid off workers – almost 4,500 of them.

"We still have 15,800 workers on our payroll, but yes, we have cut back production by 30 per cent," said Mr Rahul Bajaj, its chairman and managing director.

Normally, when elections are around the corner, four-wheel drive sales surge because they are used for campaigning in rural India.

Curiously though, at a time when Mr Chandra Shekhar's government is in imminent danger of collapse, sales of four-wheel drives are actually dropping.

Since last August monthly sales have been consistently lower compared to last year's figures. As stocks piled up, Mahindra and Mahindra, India's biggest four-wheel drive manufacturer, reacted by shutting down a part its plant for a week. For India's biggest commercial vehicle manufacturer, Telco, a Tata group company, December and January are generally the busiest months. This year, demand is down by as much as 10 per cent. Telco is scaling down its production as bookings slow to a trickle.

According to a company spokesman, Telco's truck production nose-dived to the lowest level in five years. Only 30 trucks are rolling off its Jamshedpur assembly line against the daily target of 100.

At Maruti, the government-run passenger car maker, sales of its heavily publicised new Maruti 1000 model have fallen far below anticipated targets. The company hoped to sell 1,200 units every month but, according to dealers, barely 500 cars have been sold since the model was introduced last November.

Clearly, all sectors of the Indian automobile industry are in a parlous state.

To blame the bad times on the Gulf war would be rather short of the mark. Certainly, there is a psychological factor which, when combined with petrol and diesel shortages, has resulted in deferred sales. Ashok Leyland, for example, has been particularly badly hit in its truck sales by this combination. December sales are down from last year's high of 3,976 vehicles to 2,052 units.

The reasons for the downturn are more fundamental. "Though we did not anticipate the Gulf war, we were expecting that 1991-92 would not be a good year for a variety of factors," says Mr Bajaj.

A consumer boom had boosted demand to phenomenal levels all through the 1980s, encouraging Bajaj auto to double production, but demand will start flattening out, he believes.

Inflation is probably another critical factor keeping customers away from showrooms across the country.

Running at more than 11 per cent, more and more people are postponing purchases, turning to the second-hand market or simply doing without. Moreover, high interest rates and the credit squeeze are slowly choking off easy bank finance for consumer goods. And as the Indian government puts together a package which will satisfy the International Monetary Fund (IMF), there is going to be less liquidity in the market, leading to even lower automobile sales. Worse, recent changes in depreciation allowances have adversely affected corporate purchases.

Inevitably there has been a negative spillover into the ancillary industries. "If there is a 10 per cent setback at Ashok Leyland, we get hit by 40 per cent," says Mr Niraj Bajaj, executive director of Mukand, possibly the largest steel supplier to the auto industry.

If there are constraints on the demand side, equally there are problems on the supply side. The biggest of these revolves around India's acute balance-of-payments crisis. Several new companies, such as Maruti, Hero Honda (motorcycles) and LML (scooters) depend heavily on imported components, especially from Japan. With curbs on imports becoming stiffer and the rupee depreciating steadily, industry experts feel that by June or July 1, many companies will be suffering badly.

Despite the prevailing gloom, several car dealers express a guarded optimism. Most feel that it is a question of deferred sales and there is nothing basically wrong, especially if this year's monsoon is good. "In India, there are 12 scooters for every 1,000 people compared to 500 for every 1,000 Taiwanese. Simply put, people need wheels," says Mr Ranjan Sanghi, one of Bombay's biggest dealers.

In the near future, it is unlikely that the investment tanks are going to run dry. "Our executives tell us that we must slow down future investment, but we feel that we have to show our commitment to India, and we propose to step it up," says Mr Srichand P. Hinduja, head of the UK-based Hinduja group which acquired a controlling interest in Ashok Leyland in November 1987.

Besides, not every automobile company is having a bumpy ride. One company which most people had written off as a dead duck has suddenly twitched into life.

Premier Automobiles (PAL), India's third largest saloon car company, recently increased its market share and notched up higher sales.

"Our market share has moved up from 22.7 per cent to 24.3 per cent while that of Hindustan Motors has dropped from 14.92 per cent to 13.2 per cent, and Maruti from 62.37 per cent to 62.24 per cent," says Mr. Vinod Doshi, PAL's chairman. His company shrewdly marketed a new economy model which is proving highly successful.

The company hopes to sell an extra 5,000-8,000 more than last year's 42,000 cars.

Going by PAL's experience, this may be a time for the industry to overhaul its efficiency and marketing methods to try and recover lost ground.

Philippines given $916m loans

By Greg Hutchinson in Manila

THE International Monetary Fund (IMF) yesterday notified the Philippine government of the IMF board's approval of fresh loans of $916m (£462m).

The SDR629.4m loans are a linchpin of an 18-month economic stabilisation programme meant to reduce inflation and the balance of payments deficit, and increase the level of international reserves.

It replaces an earlier growth-oriented programme which came unstuck by the time of Iraq's invasion of Kuwait when the country's oil import bill began to soar.

An amount of $458m is expected to arrive within a few days, according to Mr José Cuisia, the central bank governor, who released details of the package at a news conference.

This amount is made up of a $54.9m first tranche of an 18-month standby loan and a full drawing of $403m from the IMF's compensatory and contingency fund facility (CCFF), a measure meant mainly to help cushion the effects of the country's higher spending on oil imports last year.

Mr Jesus Estanislao, the finance minister, said that the deal was the "key to other sources of funds we intend to tap".

IMF approval clears the way for a meeting of Western aid donors and Japan, which is scheduled to take place in Hong Kong next week, to provide further help for the Philippines.

Donors are expected to pledge between $2.5bn and $2.9bn in assistance for the country of 60m people to help underpin democracy under President Corazon Aquino.

Mr Cuisia said the Philippines, as a result of the Gulf crisis, last year spent $500m more than it would otherwise have spent.

Over the expected 18-month life of the IMF loan package, the country will draw on further tranches of $54.9m at three-month intervals provided it meets certain performance criteria. A 25 per cent portion of all tranches will be devoted to debt reduction activities.

Philippine foreign debt totals $29bn, according to October Central Bank figures, the latest available.

The performance criteria include undisclosed levels of base money and net international reserves.

There will be two reviews, one in August and another in February 1992, at which time the criteria themselves may be adjusted to meet new circumstances.

In addition, the IMF has agreed to make available $128m in the event of "adverse developments".

Those cited were lower export prices from coconut oil and copper, higher crude oil import costs or increases in interest rates on foreign debt, resulting in further deterioration in the country's external payments deficit.

Poll support for Japanese leader shows sharp fall

SUPPORT for the government of Mr Toshiki Kaifu, the Japanese prime minister, has reached its lowest level since he took office in August 1989, Stefan Wagstyl writes from Tokyo.

According to a poll published yesterday by Jiji Press, a news agency, support for the Cabinet has fallen to 41 per cent, down 7.5 percentage points in a month. Among women, who are more strongly opposed to funding the Gulf war than men, support fell from 44.4 per cent to 35.5 per cent.

Jiji said the results reflected discontent with the Gulf war in general, and in particular with the Japanese aid package of $9bn (£4.5bn) to help finance the multinational force.

While the dissatisfaction among voters is unlikely to stop Tokyo honouring pledges made to the US to deliver the funds, it could make it more difficult for Japanese ministers to promise more.

Egypt to overhaul currency exchange

By Max Rodenbeck in Cairo

EGYPT IS to launch exchange reform on Sunday in a big step towards reaching a long-awaited standby agreement with the IMF. The current three-tiered exchange rate will be reduced to two levels, one set by supply and demand and the other by a panel representing state-owned and private banks.

The Egyptian government expects the move to do away with the black market where hard currency has been fetching a 10 per cent premium.

The partial flotation will effectively abolish the official exchange rate, now set at E£2.10 to the dollar. Instead, all government and some private bank dealings will be carried out at a primary rate held to within 5 per cent of the market rate, which now ranges from E£2.97 to E£3.25 to the dollar. Banks and currency traders will be licensed to deal on the free market.

Egypt's central bank has reportedly created a reserve to intervene in support of the local currency. The Egyptian pound has been losing 15 per cent of its value a year against hard currencies. Economists expect this trend to continue.

Officials say the devaluation of the official rate will not affect the price of government food imports, which will continue to be financed from the budget. Egyptian consumers have come to depend on subsidised bread and other staples.

In recent weeks Egypt has come close to meeting IMF requirements for the signing of a letter of intent expected to lead to extensive debt relief. Other reforms have included freeing interest rates, raising state-controlled prices and opening new areas for investment. The government also plans to impose a sales tax.

Negotiations ahead of agreement, which is expected in the next few weeks, are expected to cover reduction of the budget deficit .

Egypt's foreign debt stands at $36bn, over and above the $14bn that has been written off since the start of the Gulf war. The agreement is expected to clear the way for further debt write-offs by western creditors, amounting to 30 per cent of the country's official debt.

ANC questions own nationalisation policy

By Patti Waldmeir in Johannesburg

THE AFRICAN National Congress (ANC) has highlighted some disadvantages of nationalisation, including possible flight of investors and skills, in a discussion document distributed to its members.

The paper, aimed at stimulating debate within the ANC over an issue which many members continue to support, lists the advantages and disadvantages of nationalisation and concludes "it is not a simple and clear-cut issue".

Although nationalisation has been a key policy of the ANC since it published its "Freedom Charter" in 1955, the organisation has moved away from it in recent months.

The document says advantages of nationalisation would be better working conditions, guaranteed access to infrastructural services, and "democratising the economy"; but it also notes that nationalisation could lead to skills flight and a fall in foreign investment.

"If we are going to nationalise, we need to borrow the money to pay for the companies we buy. We will have to pay back this money with interest. This money will be spent without creating a single new job," the paper argues.

"If we are unable to pay back because the government does not make enough profit from that particular nationalised industry, we will be increasing our debt problems," it concludes.

Nationalisation could end up benefiting only a few: those who ran and worked in a particular industry.

"This problem of a self-serving bureaucracy has been experienced in many countries, as we have seen in the case of eastern Europe recently.

"We need to look more carefully at the economic reality and begin to find a more overall policy that will begin to solve our problems," the paper says.

Pakistan draws up bill to impose Islamic laws

By Farhan Bokhari in Islamabad

PAKISTAN'S government will present a bill before parliament next month aimed at incorporating Islamic *sharia* laws into the country's legal system, government officials said yesterday.

The government of the prime minister, Mr Nawaz Sharif, in co-operation with its parliamentary allies, is likely to obtain a clear majority for the bill, according to officials and government ministers.

After approval of the bill, Islamic laws and punishments will come into effect in the country's legal system.

Mr Sharif has promised to introduce Islamic law as an important step towards creating a fully Islamic society. Although Pakistan is an Islamic republic, the legal system still allows conduct under secular laws. The new proposals have been opposed by critics, calling this a move that will undermine interests of women and minorities.

Pakistani newspapers yesterday showed pictures of Wednesday's public flogging of eight people, including a woman, in the semi-autonomous remote tribal area of the North Western Frontier Province. According to one account, about 15,000 shouted *Allah-u-akbar* (God is great) as they witnessed the event.

The floggings were carried out under sentences handed down by a tribal body of *ulema* (religious heads) which functions outside government control. The floggings ranged between 5 and 100 lashes for sentences on charges of rape, kidnapping and car theft.

■ Pakistan has received applications from 34 sponsors, all Pakistanis, to open private banks, a spokesman for the State Bank of Pakistan (SBP) said, Reuter reports from Karachi.

Sponsors included a former SBP governor and other top bankers. Pakistan privatised one of the five nationalised banks last month and plans to open banking, shipping and aviation to the private sector under a huge privatisation programme. The new banks would be in addition to 10 Pakistani and 20 foreign banks already working in Pakistan, the spokesman said.

Conflict of opinion on NZ finance policies

By Terry Hall and Dai Hayward in Wellington

THE Reserve Bank of New Zealand said yesterday that it saw room for lower interest and exchange rates and that it was on target to achieve its inflation goals without tightening monetary conditions.

In contrast to the bank's upbeat six-month monetary policy statement, Mr Jim Bolger, the prime minister, warned that the NZ economy was standing on the brink of disaster.

He said the economy was virtually at the level of a 1930s-style depression but that measures to be announced shortly would prevent this from happening.

Mr Bolger said tax increases were an option, reversing a pre-election pledge that his party would not impose higher taxes.

The bank, meanwhile, said it would not sanction a loosening of monetary policy.

The financial markets gave mild signals of support to the bank's statement, with a minor but temporary dip in the value of the currency and little change in bond and short-term money markets, which have eased recently.

Dealers expect these rates to consolidate around present levels. They said the statement that there was further room for a drop in the exchange rate to improve the competitiveness of New Zealand industry, was more direct that expected.

They suggested it meant the currency would eventually fall, probably nearer the end of the export season when buying support from exporters eased.

At a briefing the governor, Dr Don Brash, said the bank had no irrevocable target for the New Zealand dollar, but did have firm views of what was appropriate to help achieve the 0-to-2 per cent inflation target by 1992. He reviewed the success in bringing inflation down to a 4.9 per cent rise in the consumer price index during 1990.

He forecast an overall 3 per cent rise this year, pointing out that this would be the lowest level for 25 years.

Shutdown at second nuclear plant in Japan

TWELVE days after Japan's worst nuclear power plant accident, another plant automatically shut down yesterday when the turbine's lubricating oil pressure suddenly fell, a company spokesman said, AP-DJ reports from Tokyo.

Investigators have not yet found what caused the pressure drop, but the problem in the steam turbine did not affect the 1.1m kilowatt nuclear reactor, said Mr Tetsuya Terasawa, a spokesman for Tokyo Electric Power.

Another nuclear power plant in Mihama, western Japan, automatically shut down in a more serious accident on February 9. It was the first in Japan to have led to operation of the emergency core cooling system.

S Korean car workers in clash

Riot police firing tear gas fought about 2,000 workers trying to march out of South Korea's second-largest car factory yesterday demanding the release of arrested union leaders, police said, AP-DJ reports from Seoul.

Police said the clash erupted outside Daewoo Motor in the western port city of Inchon when the slogan-chanting workers, armed with clubs and rocks, began marching.

Daewoo officials said the protest halted operations at the factory, a joint venture between the Daewoo Group and General Motors.

Fighting among Sri Lanka MPs

A brawl between government and opposition MPs broke out in the Sri Lankan parliament yesterday over a government attempt to rush through a farm bill, Mervyn de Silva writes from Colombo.

The violence erupted after a left-wing MP, Mr Vasudeva Nanayakkara, sat in the speaker's chair in protest against the government debating the bill which it had agreed to discuss next month.

UK names new China envoy

Career diplomat Mr Robin McLaren, an architect of the agreement by which Hong Kong will return to China in 1997, is to be Britain's new ambassador to China, the Foreign Office announced today.

Mr McLaren, 56, is a former envoy to the Philippines who served under Mr Edward Heath in the early 1960s when he was a Foreign Office minister.

UK NEWS

ARAB MONETARY FUND

Abu Dhabi bankers seek $50m in UK courts

By Raymond Hughes, Law Courts Correspondent

AFTER a two year legal battle the Arab Monetary Fund has finally won the right to sue in the English High Court to recover $50m it claims was stolen from it and largely laundered through numbered Swiss bank accounts.

By a 4-1 majority the Law Lords yesterday rejected a contention that the fund, an international banking organisation with headquarters in Abu Dhabi in the United Arab Emirates, could not sue in England.

The fund alleges the money was embezzled by its former director-general, Dr Jawad Hashim, who lives in England, and that First National Bank of Chicago and three of its subsidiaries – First National Bank of Chicago (CI), First Chicago Trust Company (Cayman) and First Chicago International – negligently enabled the laundering to take place.

In November 1989 a High Court judge refused to strike out the fund's action, ruling that the fund could litigate in England.

That decision was overturned by the Court of Appeal last April. Lord Donaldson, the Master of the Rolls – one of the country's most senior judges, said he did so "with the greatest possible reluctance" because he regarded the result as "wholly without merit from the point of view of doing justice between the parties".

He said, however, the rights and obligations of organisations such as the fund set up under international treaties were not enforceable under English law.

That view was rejected by Lord Templeman and three other Law Lords. Lord Templeman said the fund had been set up in 1976, under an agreement to which 20 Arab states and the Palestine Liberation Organisation were parties, to lay the monetary foundations of Arab economic integration and accelerate the process of economic development in all Arab countries.

There was uncontradicted expert evidence that a UAE federal decree had conferred on the fund independent legal personality and the capacity to sue and be sued in UAE law. The fund had thus been created a corporate body, corresponding roughly to an English limited company, which the English courts could and should recognise.

Lord Templeman said the fund held assets in every part of the world, including, as at June 1989, more than $235m deposits in the London market which must belong to someone entitled to sue for them and recognisable by the English courts.

He said a decision that the fund's assets did not belong to a body recognisable in the UK would cause "great dismay and uncertainty" and affect other international organisations.

Nissan denies reaching deal with British distributor

By John Griffiths

A SENIOR Nissan executive last night denied categorically reports that the Japanese car manufacturer was seeking a rapprochement with Nissan UK (NUK), the privately-owned distribution company run by Mr Octav Botnar.

Mr Yoshikazu Kawana, president of Nissan Europe and a Nissan main board director, said there was no question of Nissan reversing its decision to sever its ties with NUK from December 31 and set up its own UK distribution and dealer networks.

The breakdown in relations between Nissan and NUK, which has held the exclusive franchise to distribute the Japanese cars for more than 20 years, followed a long-running series of rows, the most recent of which concerns the pricing of Nissan cars in Britain. NUK is taking legal action against Nissan to have the termination declared invalid and seeking compensation for the damage it claims has been done to its business by the termination.

Mr Kawana was commenting on a statement by NUK that talks said to have taken place on Monday at NUK's Worthing headquarters between Mr Botnar and two senior executives of Mitsui, the Japanese trading house with which Nissan has close ties, had been at the personal request of Nissan's chairman, Mr Yutaka Kume.

BRITISH RAIL

Reid demands change in finance

By Richard Tomkins, Transport Correspondent

SIR BOB Reid, the chairman of British Rail (BR), yesterday called for a radical change in the way the national railwork is financed to prevent a recurrence of the chaos that hit services in the recent cold weather.

Rail services were criticised by politicians and consumer groups for their failure to deal with the snow, while comparable networks in Europe reported few problems and delays.

The BR chairman promised that detailed results of BR's internal inquiry into the disruption would be made public at a press conference to be held in the second week of March.

In an interview with the Financial Times, Sir Bob made it clear that he had changed his views on the financing of BR in the four months since he took over as full-time chairman.

In his early days in the post, Sir Bob said that throwing money at BR's problems was not a solution. A shortage of management and technical resources, he believed, was the main brake on improvements.

Yesterday, Sir Bob said his experience of the railways since his appointment and the disruption caused by this month's snowfalls had convinced him that more money was badly needed.

In the short term, he said, "tens of millions" of pounds of extra money would be needed to prevent a recurrence of this month's chaos. Longer term, £2bn worth of spending had been identified which was not in existing programmes.

Trevor Humphries

Change of track: Bob Reid outlining his plans yesterday

But Sir Bob said he was not pressing for massive government subsidies. Instead, he wanted the government to give him the power take on large long-term borrowings.

"I am asking for the right to borrow the money to finance the redevelopment, the refurbishment, the rehabilitation, and then the expansion of the railway," he said.

This would mark a sharp – and probably unacceptable – about-turn from the government's present policy of keeping BR borrowings on an extremely tight leash.

But Sir Bob said he was hamstrung in his attempts to run a reliable railway by the need to get every significant piece of investment approved by the Treasury.

"Our shareholder," said Sir Bob, referring to the government, "must recognise that if he wants to remove us from this hell of controversy and attack, then he's got to give is the processes that will allow us to manage this business effectively.".

Sir Bob delivered a robust defence of BR's employees and claimed they had been let down by equipment which failed for a combination of reasons, he said.

One was sliding doors which froze in the snow, another was points failure, and a third was a failure of train engines after snow got into them.

"There are a whole series of things that need to be looked at and we will look at each one, and we are intending to call a press conference to announce the results of the inquiry.

"The results of that inquiry will form the basis on which you will see why we are making a case that we must have regular investment in our infrastructure."

Sir Bob acknowledged that communications with passengers had been unsatisfactory during the disruption, but blamed this on shortage of funds.

"If you haven't got a viable communication system, you can't inform people," he said

"What we are going to do is completely review our passenger communications system so people on the station platform will be able to read a screen that will tell them what is happening."

Sir Bob promised that this wide-ranging inquiry would seek to establish where the faults were and what remedies were necessary.

MPs claim 'sale of the decade' was rigged

Michael Cassell examines the details behind BAe's takeover of the Rover Group

ON MARCH 1 1988, Lord Young of Graffham, who as trade and industry secretary basked in the glow of an appreciative prime minister, convened a Westminster press conference to announce he was finally in sight of an objective close to both their hearts.

Flanked by Professor Roland Smith, the big, ebullient chairman of British Aerospace (BAe) and Mr Graham Day, the softly-spoken, bearded Canadian picked by Mrs Margaret Thatcher to head Rover Group, the trade and industry secretary was even more enthusiastic than usual.

He disclosed that BAe had been granted, for a limited period, exclusive negotiating rights to buy the government's 99.2 per cent shareholding in Rover.

The two boardroom bosses deftly handled questions about the logic behind any marriage and their ability to work together; they would, indeed, go on to put their strategy into practice.

The surprise revelation nevertheless created an immediate row at Westminster, with Labour MPs attacking what they saw as a cosy, covert agreement between consenting companies. But Lord Young was undeterred. He would describe the deal, concluded less than four months later, as the "sale of the decade".

Subsequent events, however, have left in their wake a less happy legacy at Westminster. The government's behind-the-scenes manoeuvring to ensure that nothing sabotaged the sale has been a source of running controversy. Yesterday it was re-ignited with a damning indictment of its behaviour by the Commons Trade and Industry committee.

At the heart of the row has been a package of originally undisclosed financial concessions, the total value of which appears almost irrelevant in the context of the scale of the business at stake. But it is the alleged attempts to withhold the full story from both parliament and the European Commission that have provoked anger at Westminster. Irrespective of the subsequent political fall-out, Prof Smith and Mr Day, who first discussed a possible get-together at a cocktail party, had got their own timing right.

In February 1988, when BAe first approached the Department of Trade and Industry with a plan, the government wanted Rover returned to the private sector and off the back of the British taxpayer.

Golden handshake: Lord Young, with Graham Day (left) and Roland Smith, celebrate the BAe deal

Since 1975, when the state became the majority shareholder in the business, the group's share of the UK car market had halved to under 15 per cent; it had not recorded profits since 1975-76 and, by 1988, accumulated losses stood at a staggering £1.6bn.

Two years earlier, the government had tried to wash its hands of the business, entering talks with Ford and General Motors. In the midst of a political row, which extended deep into the cabinet, about the prospect of Britain's last carmaker falling into the hands of foreign interests, the government withdrew.

This time, however, Lord Young and his prime minister were determined not to lose another opportunity. The trade and industry secretary was the man who brought Mrs Thatcher solutions, rather than problems. The talking began in earnest.

Under the terms of the original deal, BAe would pay £150m for Rover and the government would inject £800m into the group to help eradicate indebtedness. Government guarantees, first given by a Labour government in the 1970s and covering all accumulated debt, were to be eliminated.

In addition, BAe agreed not to sell Rover's core business or trade marks for five years, unless it was prepared to see a £650m government clawback. In a final element to the package, BAe was prevented from using more than £500m of Rover's past trading losses for its own purposes. By the time the final deal was struck in July, alterations had been made in the wake of last-minute warnings from BAe that the package might not be acceptable.

The change of heart arose following the intervention of the European Commission, which had ruled that the government's proposed injection of cash was too high. As a result, state support was reduced to £469m, plus £78m in regional aid.

At the same time, the "ring-fencing" on Rover's trading losses remained intact but an original agreement that its capital losses and allowances should be restricted to use within the business were lifted.

There were further, financial aspects of the deal, agreed and announced in the Commons on July 14 1988, which were not disclosed. They emerged in November the following year following the leaking of information contained in a report into the Rover sale by the National Audit Office.

The report thrust the 16-month deal back into the headlines and put the actions of Lord Young and his officials under a harsh spotlight.

As BAe apparently wavered over a deal which ministers saw as their last chance to sell, concessions had been made to bridge the gap in financial support left by the Commission's intervention.

In what were quickly to be nicknamed the Rover "sweeteners", it emerged that the government had paid £1.5m to Rover to cover the costs of its privatisation. BAe had received £9.5m as reimbursement for buying out Rover's minority shareholders and for BAe's own acquisition costs.

In further inducements, the DTI had offered the possible payment of £5m in lieu of BAe's contribution to the Columbus space programme and the deferment for 19 months of the £150m purchase price, worth £22m in net interest charges but valued by the Commission at £33.4m.

By the summer of 1990, the Commission was demanding the repayment by BAe to the government of £44m, with the possibility of a further £40m repayment this year. A High Court move by the government to get the money back is currently stalled, pending a European Court of Justice ruling on a BAe challenge to the Commission's decision.

The disclosure of the sweeteners prompted the Commons Trade and Industry Committee to reopen its examination of the affair. It stumbled into what it yesterday claimed was an orchestrated attempt to frustrate disclosure of the full facts behind the Rover sale, which extended to parliament being seriously misled.

Throughout its final report, the committee paints a picture of a government anxious to divest itself of a huge liability up against a hard-nosed business which managed to extract additional incentives that were not even necessary for BAe to achieve its post-acquisition criteria.

The report states: "British Aerospace drove a hard bargain" and adds: "The DTI had little alternative but to agree to the terms demanded by British Aerospace."

The committee members profess amazement that when BAe agreed to buy Rover it knew neither the value of Rover sites nor the company's recent profit history. They say the DTI should have prepared a valuation.

The MPs criticise the deferred payment arrangements and point out that BAe was able to recover, through asset disposals, nearly the full cost of the Rover purchase even before it handed over the £150m.

The committee also says it was "incensed" that the DTI withheld relevant letters concerning the sale and complains that no one document sets out and defines the Rover sale contract.

But it reserves its most pointed criticisms for the way attempts were made to deny to the Commons the information to which it was entitled.

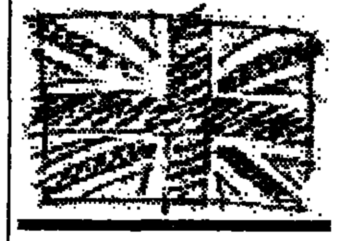
The committee notes that Lord Young had written to the chairman of BAe setting out options for the payment of the £150m purchase price "in ascending order of risk that the deferment would be picked up by the European parliament". It also cites Lord Young writing to Roland Smith suggesting that any reimbursement for buying out minority shareholders which exceeded £10m would need the approval of the Commons.

The report says that in releasing, sometimes after lengthy delays, individual details of the package through a variety of supplementary estimates, the DTI had fulfilled its strict legal requirements but had fallen short of adequate disclosure.

Lord Young still believes that there was no real choice and that he clinched a deal of which any self-respecting businessman would be proud.

Others claim the taxpayer was short-changed. The complaint of MPs is that they were never given a proper chance to decide for themselves.

BRITAIN IN BRIEF



Generating companies' share price set at 175p

Mr John Wakeham, energy secretary, is to announce that shares in the two electricity generators, National Power and PowerGen, will be sold on an annual dividend yield of 6.3 per cent.

The issue price for the privatisation flotation has been set at 175p fully-paid, valuing the two companies together at £3.6bn.

Advisers said aggressive bidding from overseas investors had driven down the level at which the issue could have been cleared. In the UK, it would have been covered only at 6.1 per cent.

The most competitive bids are believed to have come from Japanese buyers, who are to be allocated about 8 per cent of the shares.

A further 12 per cent will be shared out between European, US and Canadian investors.

It is intended to produce a premium of roughly 10p on the 100p partly-paid price when stock market dealings start on March 12.

Building firms warn on jobs

The Building Employers Confederation has warned that 150,000 jobs could be lost in the industry as the recession deepens and more companies fail and called for an immediate 1.5 per cent cut in interest rates.

The confederation also called for urgent steps to be taken to bring forward some public sector construction projects, including house-building and repairs to schools and hospitals.

In addition, the confederation's national council urged Mr Norman Lamont, the Chancellor of the Exchequer, to abolish the stamp duty levied on house purchases in next month's Budget.

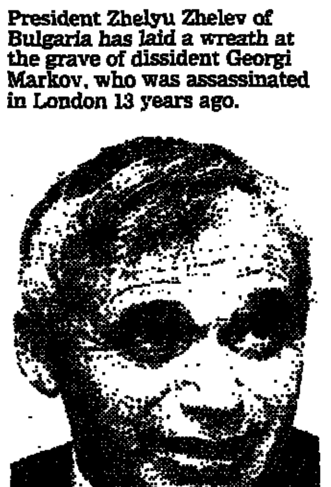
Plymouth chip plant shelved

Harris Corporation of the US has shelved plans for a semiconductor plant in Plymouth, south west England, citing weakness in the world chip market and uncertainty caused by the Gulf war. Harris had received a £1.2m grant from the Department of Trade and Industry. The plant was to employ 500 people.

Mr Douglas Hogg, then Industry Minister, had welcomed the plant's announcement, saying it would help to replace jobs lost as a result of defence cuts.

Zhelev tribute to Markov

President Zhelyu Zhelev of Bulgaria has laid a wreath at the grave of dissident Georgi Markov, who was assassinated in London 13 years ago.



The ceremony took place at the 9th-century Church of Candida in the hamlet of Whitchurch Canonicorum, near Lyme Regis, southern England.

President Zhelev, hailing the dissident as Bulgaria's most important folk hero, said: "I'm a great admirer of Georgi Markov. I admire the power of his writing, his imagination as a playwright and poet as well as his strength in ways of fighting the system he was living under.

"We more than anyone else need to find the truth of this political killing both for the honour of Bulgaria and for the greater international honour."

Mr Markov, who defected in 1968 and worked for the BBC World Service, was was stabbed with a poisoned umbrella in 1978 near Waterloo Bridge in London.

Trevor Humphries

Time for reflection: Nicholas Ladenis, owner of Chez Nico

Chef in the soup over shares

THE TAKEOVER Panel has stepped into a simmering dispute between a top London chef and a leading UK actuary.

The panel, which normally deals with arguments between large public companies, issued a public reprimand to Mr Nicholas Ladenis, proprietor of Chez Nico, one of Britain's best-rated restaurants.

Acting on a complaint from Mr Colin Lever, senior partner of Bacon & Woodrow, the UK's largest firm of actuaries, the panel ruled that Mr Ladenis' acquisition of shares in Chez Nico Ltd last summer should have, but did not, comply with the Takeover Code.

Last April, Mr and Mrs Ladenis wrote to shareholders in the restaurant asking whether they were interested in selling their shares.

As a result the couple came to hold more than 90 per cent of the issued share capital and on September 14, began compulsory purchase of the outstanding shares under Section 429 of the Companies Act.

Mr Lever, who was one of the shareholders, said he was amazed when he received the compulsory purchase order. "There had been no offer document circulated, none of the normal procedures which go with a proper takeover bid," he said.

Mr Lever, a former member of the Takeover Panel, complained to the panel. He has also launched legal action to have the Section 429 order overturned.

Mr Ladenis, whose restaurant has a rare two Michelin stars, dismissed Mr Lever as a "crank".

An official statement by the takeover panel said the panel executive was satisfied that the failure by Mr and Mr Ladenis did not arise from any bad faith but arose from a lack of familiarity with the code and from a failure to consider whether the code applied.

Demand for leasing declines

Britain's leasing companies expect the UK recession to continue to worsen leading to a rising tide of bankruptcies.

The Equipment Leasing Association, which represents the industry, said its latest economic survey in January showed a further fall in business confidence. Demand for leasing was down in all sectors, and members expect demand to fall more sharply in the next three months.

Mr Brian Hassell, ELA chairman, said: "Unless the government takes early steps to substantially reduce interest rates, the outlook for British industry will not improve and the confidence to invest will remain low."

Warming action delay urged

Action to combat global warming should be delayed for at least 10 years while further research is carried out to test the truth of the "greenhouse effect" theory, one of America's leading meteorologists has said.

"Something for which there is virtually no evidence is being treated as if it is an article of religious faith," said Professor Richard Lindzen, professor of meteorology at the Massachusetts Institute of Technology.

At a seminar at Windsor, west of London, he clashed with Dr John Houghton, director-general of the UK Meteorological Office, who stuck to the IPCC estimate that if nations continue "business as usual" and greenhouses gases such as carbon dioxide increase at present rates, global mean temperatures will rise by 1 deg Centigrade by 2025.

Owners Abroad capacity cut

Owners Abroad, the third largest package tour operator, said it could cut 20 per cent off its planned holiday capacity for this summer because of the slump in sales.

Owners had planned to sell some 1.7m package holidays this year but a 60 per cent fall in bookings since the Gulf war started compared with the same period last year has forced the company to consider cutbacks.

Airport slots system 'untenable'

The present system of allocating take-off and landing rights or "slots" at congested UK airports like Heathrow and Gatwick is "untenable" in the medium term, says a report commissioned by the Department of Transport last year on the controversial issue of slot allocation.

But the report by the SD-Scicon consultants group also warns that any immediate radical change in the present slot allocation system risked creating chaos in the industry.

"The report confirms my fears that the present system could hamper progress in opening the industry up to more competition and constrain the liberalisation of air services in Europe," Mr Malcolm Rifkind, the transport secretary, said.

Britain 'losing food-trade war'

European farmers are winning the trade war by selling Britain mountains of food which could be home produced, according to a new report.

Mr Paul Judge, chairman of the government and industry-funded body Food from Britain, which promotes UK exports, commenting on official figures showing the food and drink trade gap widening 9 per cent in 1990 to £5.1bn, said Britain was losing the "competitive war with other European countries." Whisky exports were more encouraging: up 17 per cent to £1.73bn.

Unit trusts' slow start

Unit trust sales got off to a slow, but positive, start to 1991 with net new investment in January of £129.7m – almost the same level as for January of last year.

Investors bought £682.7m worth of units and cashed-in some £553m worth of units during January, in each case some £220m lower than in January last year.

But the whole of this net investment was accounted for by one major management group, Prudential Holborn, with £130m worth of units being bought by other life and pension companies within the parent group, Prudential Corporation.

THE PROPERTY MARKET

Clutch of insolvencies signals worse to come

By Vanessa Houlder

THE PROPERTY crash of the early 1990s looks set to be a drawn-out affair. Scores of bankrupt companies are living on borrowed time as banks wait for an improvement in the market before they flood it with distressed property.

Nonetheless, some companies and banks are bringing their problems to a head, as illustrated by a clutch of insolvencies last week.

One of the less ominous examples was provided by City Gate, a Swedish-controlled London developer, which went into administration on Monday. Although administrations are usually a short cut to liquidation, this case could be an exception. The goal of the administration, which is being financed by the banks and the company's main shareholder, is to sue the buyer of a Hammersmith office block, which still owes the company £16m.

"Provided there is a satisfactory settlement, there appear to be sufficient assets to cover liabilities," says Mr Tim Hayward of KPMG Peat Marwick McLintock. "If there is a modest upturn in property values we are optimistic this company might be capable to coming out of administration."

A more common cause of insolvency is that the state of the company is so bad that the lenders want more direct control over the property. One such was Land & Property Trust, which went into liquidation last week after the High Court refused an administration application by the company.

L&PT, one of the UK's largest private property companies, has liabilities estimated to exceed £300m. Its failings are a measure of both the malaise of the London property market and the mistakes that can be made in an over-ambitious dash for growth.

L&PT was run by Mr Berish Berger, the scion of the Berger family, owners of one of the largest private property empires in the UK. The wealth of these intensely private landlords is usually assumed to be well over £1bn.

Mr Berger came into the limelight in 1986 when he was 29. With backing from the family fortune (which had a £21m stake in L&PT) and bank finance he took over Land Investors from Jack Rose – one of the best-known property figures of the 1960s – for £74m.

Much of L&PT's portfolio, such as the 200,000 sq ft development at Cowcross Street near Smithfield and the 50 per cent share of Woolworth House on Euston Road, was inherited from Land Investors. However, Land Investors also expanded rapidly through acquisitions and developments.

Mr Berger's deals included a £75m purchase of an office block on Finsbury Pavement and a £23.5m purchase of Hoskyns House on Shaftesbury Avenue, both in London. He failed in his most ambitious undertaking, the acquisition of London Shop, a retail property company, which eventually went to a higher bidder, Peel Holdings.

Although the storm clouds were gathering in the London market in 1989, Land Investors was undeterred. It continued to do deals, while others held back. In November, it unveiled the biggest single retail property transaction in the UK market when it agreed to buy 17 superstores for £140m.

Soon afterwards, the market turned and L&PT found itself exposed. Its dash for growth had involved remortgaging properties and its borrowings soared.

The first public hint of trouble came last September when it emerged that L&PT still owed Tesco £28m from the superstore deal. Soon after, however, the real thunderbolt struck. An ambitious £100m project to build flats, offices, a health club and shops in the shell of the British Airways terminal in Cromwell Road, London, went into receivership.

L&PT blamed the collapse on a disputed £12m value added tax bill arising from the "intransigent and inflexible" attitude of the Inland Revenue which classed the building as a refurbishment rather than as new construction. The receivers, however, said that cost and time over-runs on the project were also to blame.

Matters came to a head soon after when John Lelliott Management, a building contractor working on the project, which had not been paid since May, took out a winding up petition against L&PT. L&PT responded by asking the High Court for an administration order instead, on the grounds that it would achieve a more advantageous realisation of assets. The company's tax losses, it said, could be worth £15m to a buyer.

That argument was dismissed by the court which reckoned the company would not be able to find a buyer. There were also objections from Norwich Union, which is owed more than £49m and Manufacturers Hanover, the company's main banker. The winding-up order was made on February 8 and the liquidation order followed soon after.

Unravelling the L&PT empire is a complex business, involving a plethora of lawyers, receivers and surveyors.

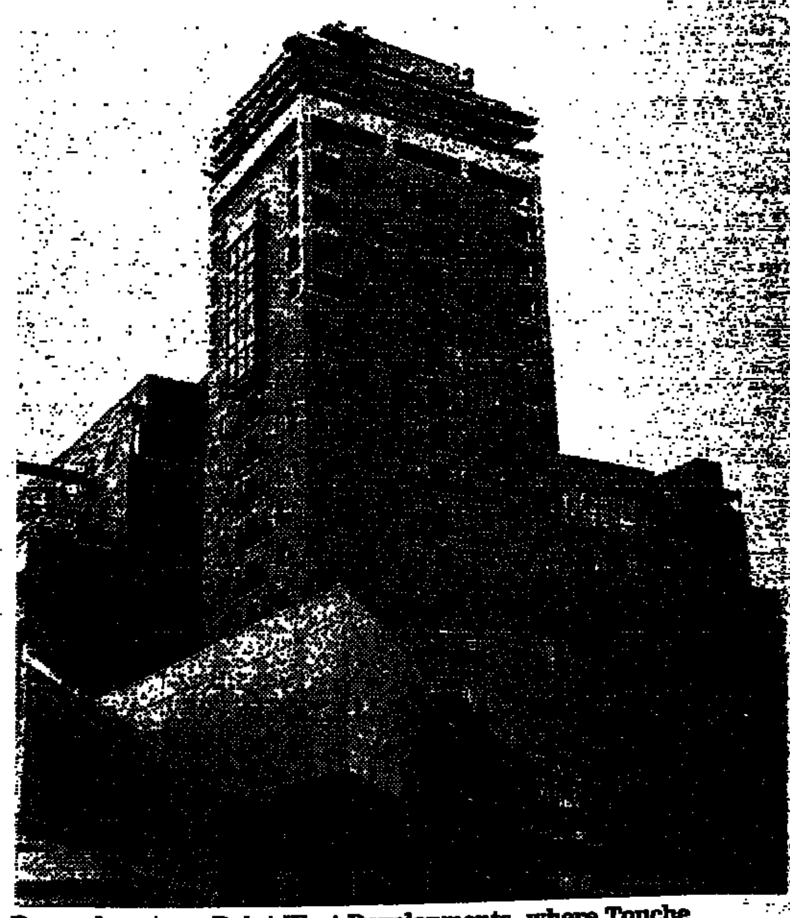
The five secured lenders, which have charges over all the wholly-owned properties have appointed or are on the point of appointing receivers. Norwich Union has appointed Jones Lang Wootton and Manufacturers Hanover has appointed Price Waterhouse as Law of Property Act Receivers (a long-standing form of receivership in which the receiver is appointed by a fixed charge-holder to realise the assets under the charge.)

Administrative receivers are also being appointed to the joint ventures, such as Point West Developments, where Touche Ross was called in as administrative receiver just before Christmas.

L&PT's liquidators will deal with everything that is left over. This comprises £1m worth of property-related investments and cash, tax recoveries and motor vehicles. Nothing is likely to be recovered from a £115m loan to BCPH, L&PT's parent company, the only asset of which is a shareholding in L&PT.

The prospects are poor, even for the secured creditors. The principal bank, Manufacturers Hanover, is owed £122m, which is secured on buildings which are estimated to be worth, at most, £78m. Many of its buildings are in fringe locations, needing redevelopment – a class of property that has been particularly badly hit by the downturn in the London market. "The values are looking sick all around," says Mr Ian Watt of KPMG Peat Marwick McLintock, one of the liquidators.

Given the dismal state of the market, the lenders are likely to be patient about recovery of their money. "I don't think we will be in any rush to sell anything," says one of the liquidators, Mr Phil Wallace of KPMG Peat Marwick.



Doomed venture: Point West Developments, where Touche Ross was appointed administrative receiver just before Christmas

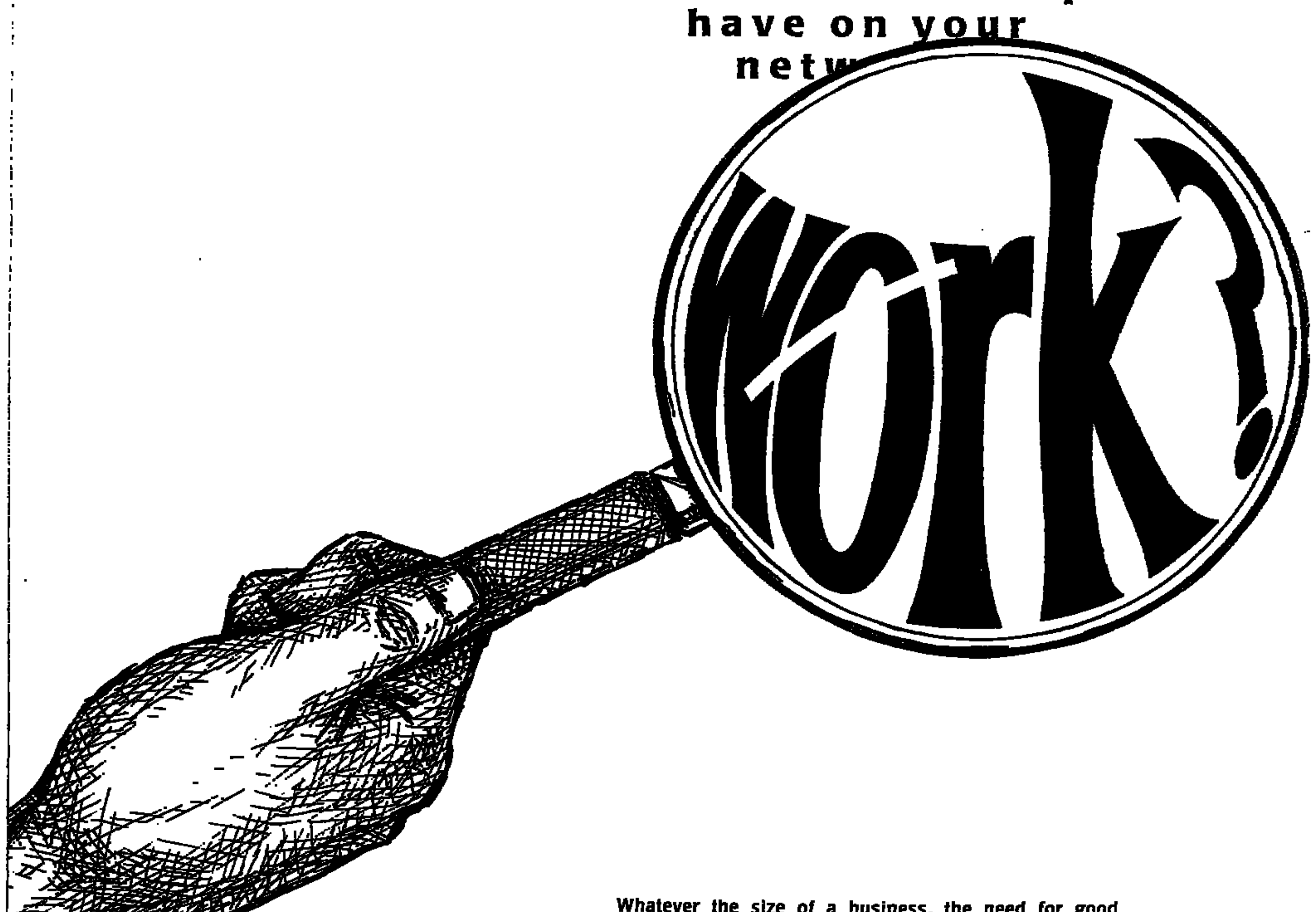
The lenders may have to be even more patient about developments in progress. Point West, for instance, will need tens of millions to be spent in order to be completed. Weighty tomes of advice have been commissioned by the banks, which are on the point of deciding whether to proceed.

For the unsecured creditors, the picture is even more bleak. "There is a huge raft of unsecured claims against a very modest level of available assets," says Mr Ian Watt. "I would not hold out any hope of recovering anything."

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to Dec '90	4.5	3.6	8.9	5.0
Quarter to Dec '90	0.8	-0.4	0.8	0.3
Month of Dec '90	0.2	-0.2	0.1	0.0

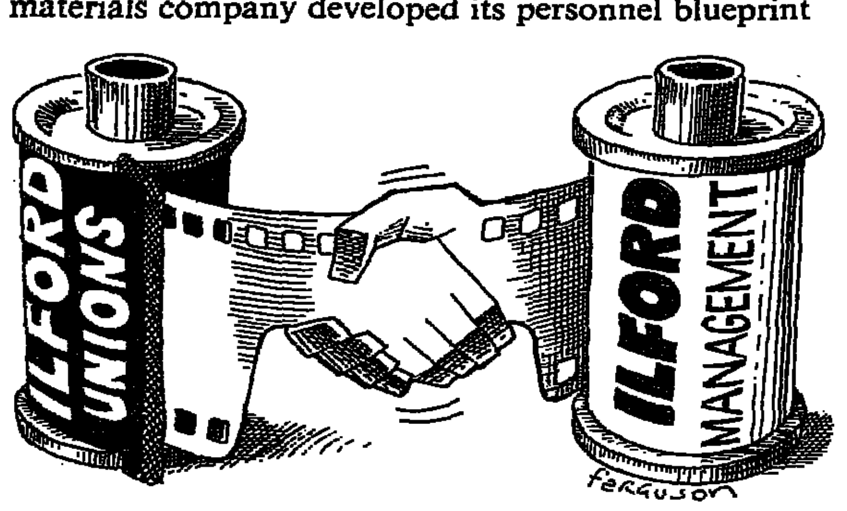
Investment Property Databank



MANAGEMENT

Ilford puts people into sharp focus

Fiona Thompson explains how the photographic materials company developed its personnel blueprint



Management is determined that nobody should be kept in the dark about changes which are being introduced at Ilford's plant in Mobberley, Cheshire. This is not the easiest of tasks since their employees work in pitch blackness.

When the giant, plastic doors slam shut behind you at the photographic paper finishing plant, you really cannot see a thing. After a time your eyes can just about pick out white-coated figures, each trailing a little circle of dull orange from their standard-issue filtered torches. Thick white lines, dimly seen, mark paths on the concrete floor. You can hear the trundling of forklift trucks long before they loom up in front of you, then vanish back into the enveloping blackness.

The staff in paper-finishing consider themselves lucky. Their colleagues in the nearby film-making plant do not have the luxury of those meagre, glow-worm torches. They are literally in total darkness throughout their shifts.

Impact, Ilford's programme for a comprehensive restructuring of work practices, pay and conditions, is now under way. And the company's aim – that none of Ilford Ltd's 1,400 employees should be left in the dark about the programme – has meant an exhaustive series of consultative meetings.

The process is being overseen by the company's head of human resources, Frank Sharp. The changes in Impact echo those in other companies which have adopted the human resources title alongside an attempt to achieve fundamental changes in employment culture. These companies often want to move away from traditions of industrial relations conflict, and integrate the management of people into their strategy.

According to Sharp, the impetus for setting up Impact was an acknowledgement by the board a few years ago that the company was in a mature industry; that a substantial effort had been put into engineering, science and marketing in the previous 10 to 15 years, "and we could not see how the business would further prosper and become more profitable unless we tackled the people side". It was a radical move for Ilford which, until then, "had not regarded personnel as contributing in any way to the strategic direction of the business".

That is a rather diplomatic way of putting it. With somewhat more candour, Sharp describes Ilford's history of management-workforce relations as "20 years of confrontation, where the role of unions and management has been to beat each other about the head with a big stick".

To Sharp, the fact that Ilford was the first company to use the government's 1984 Trade Union Act to force a trade union to ballot on proposed industrial action was illustrative of the extent of its problems.

Ilford, number one in sales in the world monochrome market, makes and sells photographic materials, chemicals and equipment. It is part of Ilford Group, which has two other manufacturing plants, in France and Switzerland, and was bought by the large US paper company, International Paper, in 1989. The UK company traditionally operated along inflexible lines, with strict demarcation between the different unions and rigidly enforced differentials based on 43 grading bands.

Impact is nothing less than a complete overhaul of how Ilford's employees work, their pay and conditions. Impact's three aims are:

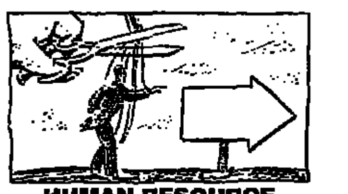
- To implement organisational change involving a move away from detailed job descriptions and a lot of different jobs to a number of core jobs with many fewer grades;
- To devise specific training and development plans for each employee; and
- To develop an improved pay and reward policy.

The consultative process to devise a framework for a reward policy was launched last April in workshops attended by all the shop stewards and departmental managers. The managers then held a series of team meetings with never more than 15 employees at a time, to encourage maximum feedback.

"We started with a blank sheet of paper and said 'What would you like?'. And we literally got everything from 'turkeys at Christmas' to 'deunionise'," says Sharp.

By the autumn, a nine-point framework was devised. Key elements of the reward policy, aimed at getting a simpler, fairer pay system, include substantially fewer grades, and the introduction of job evaluation, performance rewards and personal development discussions. The new grade structure will reduce the present 43 grades to between six and 12.

Each employee's job will be put into one of the new grades using a method of job evaluation – almost certainly the work profiling system of consultants Savlle & Holdsworth – involving the employee. Each grade will have a negotiated base rate of pay to be determined by the market rate and Ilford's performance. The banding for each grade would be very wide to allow for performance payments agreed once a year between each employee and her/his boss. Getting to this stage has been a painstakingly slow business. Last April, it was intended that the new reward policy would be implemented on January 1, the normal date for pay increases.



HUMAN RESOURCE MANAGEMENT

But management had been "too optimistic", Sharp acknowledges. "Hindsight is a marvellous thing. In reality, to use a racing analogy, it was a 10-furlong race and the finishing point was to get everybody on board, understanding what the reward process was about. But while some departments started the race around the eighth furlong, others hadn't even saddled up the horse months later."

But he does not see the delay as a failure. "We had never gone through consultation before. The lesson we had learned is that if you are going to involve people, you must be prepared to accommodate their views and satisfy them before you move on, otherwise you risk failure."

Ironically, a significant reason for the delay was a deeply-felt suspicion about management's motives held by some shop-floor workers. A common feature of the feedback from different departments early on was "there's a hidden agenda; it's a con trick".

The depth of the suspicion surprised Sharp. "And I would admit that I underestimated the amount of time and effort required to regain that lost ground."

But it has not made him lose faith in the consultative process – rather, it has convinced him that it is the only method which will provide a lasting solution to problems. And following further consultative meetings, the recent feedback from the shop-floor on the reward policy has been good, Sharp says, with more than 90 per cent of staff saying they could live with the plan.

The organisational change at Ilford – involving the move away from a lot of different jobs to a number of core jobs – is a third complete, says Sharp.

The change was sorely needed, particularly as Ilford has had the same structure in place for many years despite having decreased from a multi-site organisation with 7,000 to 8,000 employees in the early to mid-1970s to a one-plant operation with 1,400 employees now.

In the scientific products department, for example, after detailed management-workforce discussions on what its new role should be and who should accept what responsibilities at what level, the consensus was that the department would actually function more effectively without supervisors.

Consequently the staff have taken on more responsibility and have been given the tools to carry out certain new tasks, like statistical process control.

The organisational changes, while providing much greater job satisfaction for some, inevitably leave some less happy as well.

"If a new role demanded more people-management skills, we didn't just take someone because they'd been there 20 years and done a good job. We tried to measure objectively through discussion and tests who had the 'best' skills."

Some got bigger jobs, some moved sideways and others transferred to different roles elsewhere in the company.

In a small number of instances, this has meant salary decreases. Not surprisingly, there was union resistance. MSF, the technical and white-collar union representing the managers and scientists, accepted that some of its members' positions would change but wanted them to maintain their present grades, performance rates and income.

"We couldn't accept this as it wouldn't be seen as equitable by other people doing a bigger role," says Sharp.

There was no question that the Impact proposals had to happen, according to Sharp. "In the 1980s life for manufacturing companies became much more competitive. It will become even more so in this decade. We have got to ensure that the company can respond quickly and effectively."

This is the final article in this series. Previous articles appeared on January 28, February 1 and 11.

US-Japanese joint ventures

Plagued by cultural gaps

Barbara Durr examines difficulties particular to these alliances

A sign on the shop-floor wall of Rocknel Fastener in Rockford, Illinois, exhorts workers in both English and Japanese to greater cleanliness and efficiency. But the plant's American employees, virtually the entire workforce, ignore the sign, say officials at Rocknel, a US-Japanese joint venture. It's there more for the benefit of visiting Honda Motor Company executives who buy their bolts and screws there.

The reaction of employees is just a small indication of the yawning cultural gap that plagues American working relations with their Japanese counterparts.

Americans tend to see the Japanese as over-demanding, slavishly devoted to their companies and socially incomprehensible. The Japanese, in turn, tend to view Americans as sloppy, undisciplined and lacking culture.

US scholars who have studied US-Japanese working relations say they are fraught with difficulties, not least because of these negative images.

While the barriers can be overcome, the ride can be rough for joint venture partners.

"US-Japanese joint ventures tend to be much more difficult than US-British or US-German joint ventures. The Japanese and the Americans have two different 'mis-histories' about themselves," says Douglas Lamont of Northwestern University's Kellogg School of Management. "These two sets of assumptions about what is correct in business can lead them astray."

Even goodwill and titanic ground-laying efforts sometimes aren't enough. "No matter how well researched and prepared the joint venture is, they invariably find problems they didn't anticipate and discover those they expected are much worse than they thought," says Susan MacKnight, chief economist at the Japan Economic Institute in Washington DC.

With the explosion of Japanese investment in US manufacturing during the past several years – the US Commerce Department reports that it leapt from just $1.6bn in 1983 to $17.3bn in 1989 – the cultural clash is creating an increasing difficulty for managers.

And nowhere is the problem more evident than in the automobile industry. American auto parts suppliers, faced with the prospect of a dwindling market as the Japanese claim a larger and larger US share of auto sales, have sought deals with Japanese OEM transplants. Jack Packard, chairman of Elco, a metal and plastics fastener manufacturer in Rockford, Illinois, like other suppliers, discovered the likeliest way to do this was through a joint venture with a Japanese supplier.

So began Rocknel, a 50:50 joint venture of Elco, which supplies Ford and General Motors and has $150m in annual sales, and Nagoya

> Even goodwill and titanic ground-laying efforts sometimes aren't enough

Screw Manufacturing of Japan. Rocknel began production last year.

Nagoya and Elco built Rocknel on solid mutual interest. Elco wanted a slice of the new Japanese transplant business and Nagoya was faced with losing the US-based business of Honda, one of its two principal customers that had set up production in Ohio. It needed a US foothold without an expensive start-up from scratch. It also wished to avoid labour problems.

With nudging from Honda, which sought to continue a relationship with its established supplier but had a need to increase local content, Nagoya settled on non-union Elco. An agreement was reached in the spring of 1989.

It contains a protective provision of special interest to Elco. The two partners agreed to refrain from soliciting business from each other's customers. Competition to supply the shrinking market of the Big Three has been rising and Packard was keen not to create another competitor. While Elco is happy with the joint venture, its management has had to deal with an East/West clash. The Japanese way of doing business demands that Americans change their ways – and this rankles.

The Japanese aim for 100 per cent customer satisfaction, with perfect products on time. This means microscopic attention to detail, discipline, a narrow focus on product quality and strict adherence to delivery deadlines.

These are all lessons that Americans could do with learning, Packard admits. But these positive things come alloyed with Japanese work habits – staying late at the office, relentless perseverance to resolve any problems and criticising colleagues for flaws in production – that grate on Americans. They want to go home early to spend time with their families, believe someone else can resolve problems and resent criticism, even if it is offered politely.

The upshot is tension on the shop-floor and distance between Nagoya's few Japanese technicians and the rest of Rocknel's workforce. Elco executives, acknowledging the difficulties, have begun an in-house training programme called "Managing Change".

Communication is crucial. Packard and other senior Elco executives are struggling to learn do's and dont's with the Japanese while imparting a sense of common purpose to workers – a tall order in a small Mid-western city where international cultural sensitivity is hardly the norm.

The Japanese custom of long hours punctuated by drinking bouts with colleagues to relieve tensions does not, for example, go down well with Americans. This leaves Packard searching for some middle ground for social mixing that he hopes can lead to greater mutual understanding.

He tells grousing colleagues that the way the Japanese operate is setting the world standard and that the same practices will be adopted by US companies and others around the world. Asked whom he would prefer to have working for him, he does not hesitate: "The Japanese".

Americans, trying to find their place again in a changed world, will just have to start reading the writing on the shop-floor walls.

COMMERCIAL PROPERTY

COMMERCIAL PROPERTY APPEARS ON PAGES 8 & 9

CONTRACTS & TENDERS

ARTS

Alastair Muir

Steve Ramsden and Wendy Hewitt

The Round Table

LYRIC STUDIO, HAMMERSMITH

The first performance of *The Round Table* by the East German playwright, Christoph Hein, took place in Dresden in early 1989 and must have been electric. Even after the Berlin Wall has been dismantled and the German Democratic Republic has become a thing of the past, the British premiere at the Lyric Studio in Hammersmith still sheds light.

The Round Table is about the disintegration of the East German regime done in the guise of the Arthurian legend. It is not a frontal attack on the regime itself. The portrait of Artus, the general secretary of the party or otherwise King Arthur, is far too kind to bear much relation to Erich Honecker, the man who went down with the wall. The play is a lament for ideals that failed to be achieved and perhaps were unachievable. Its strength lies in showing the regime's increasing isolation from the rest of the world and from the younger generation.

East Germany is never mentioned; nor are any modern politics directly. The characters take their names from the knights and ladies of the original round table, though they wear modern East German dress. The central committee and the old knights are presented as two of a kind, starting off well but degenerating. They set out in pursuit of the grail, which they discover is either unattainable or does not exist. In time and in varying degrees they lose their faith.

Gawain, the itinerant knight whom we never see, writes a letter to say that he is not coming back. Lancelot does return, but without the grail. Parsifal, who came as close as anyone to finding it, has taken to editing a political magazine, but remains a member of the central committee. Mordret, son of Artus, represents disaffected youth, not so much hostile to the regime as totally uninterested. Sexual infidelity abounds; the women are allowed to sit at the round table.

No-one watching this play in Dresden in 1989 could have doubted that it was close to the bone. One of the women notes that there used to be parties every night. Now the place has become a morgue; there is no laughter any more. One of the knights says that the way to get out of it is to have a tournament, presumably on the lines of the Olympic Games.

We gave a good review to Christoph Hein's *The Story of Ah Q* at the Soho Poly last year and also praised in passing his novel "The Distant Lover". Born in 1944, he did not become an East German defector. The challenge now is to go on writing in a united Germany. He could become one of the very best.

Praise all round to the Cracked Mirror Company whose production it is. The company is looking for sponsorship and deserves to get it. *The Round Table* is directed by by Olivia Fuchs, who is a co-founder of the Cracked Mirror.

Malcolm Rutherford

Le Rêve de d'Alembert

THEATRE NATIONAL, BRUSSELS

Vivent les philosophes! Imagine Hume writing a play starring Bishop Berkeley and you realise how buttoned-up our own 18th century luminaries were, compared with the antics of their French contemporaries.

Diderot (1713-84) and D'Alembert (1717-83) jointly edited what became the centrepiece of the French Enlightenment, the *Encyclopédie.* Diderot then cast them both as heroes of a play about materialist philosophy in which the sleeping D'Alembert speaks Diderot's lines while his companion, Mademoiselle de Lespinasse, writes them down and flirts with another *Encyclopédie* contributor, Louis XV's doctor, Bordeu.

Philosophy as seduction, sex in the head, power and manipulation through language: how modern Bernard Debroux makes Diderot. Though a natural dialogist, Diderot's three theoretical discourses – Diderot versus D'Alembert, D'Alembert's dream (of Diderot's thoughts) interpreted by Mlle de Lespinasse and the Doctor, and the Doctor versus Mlle de Lespinasse – look dead as a dodo on the page. Debroux leavens them into something enticing and alluring. Love of wisdom is linked with love of pleasure, as in Diderot's writings; the word is made flesh before our eyes.

Debroux makes explicit the subtle erotic bond which links all three men to Mlle de Lespinasse (Benedicte Wenders), and which each tries to exploit by imparting knowledge to her. There are stunning performances from the rival *Lumières.* As Bordeu, Pierre Laroche literally throws his words into her mouth when he kisses her. Jacques de Bock's Diderot is an emotional brainstormer who drops words and ideas from his lips to his hands like tangible objects: forces paper and quill (and words) on Mlle de Lespinasse, argues his own form of materialism by conjuring tricks – a balancing egg ("chicken or egg?"), marbles rolling down the stage ("animal, vegetable or mineral?").

As his adversary D'Alembert, Jean-Marie Petiniot is stubborn and frantic; the soul-searching intellectual driven to any kind of adventure in his quest. In the second scene, what looks like his double leaps out of the wings onto the bed where we expect to see him sleeping, pulls back the covers and reveals a lifesize ragdoll model of himself: "what is a being?"

The game of seduction keeps up interest in an otherwise plot-free drama and underlines the human nature of Diderot's doubts and questions. The key line in the play is Mlle de Lespinasse's cooing "Do what you like to me, as long as I educate myself". Debroux echoes each development with a bold cultural joke: Papageno's mock-despairing song from *The Magic Flute* when she is blindfold and confused; a trio from *Cosi* about women's infidelity as a prelude to her entry into a summer garden with the doctor; subsequently they fight-dance with her parasol.

At one point, this very talented cast sing unaccompanied an aria from *Figaro;* at another Diderot the playwright is heralded by pop-Bach, "So you've got the urge to write a fugue". The backcloth, Botticelli's "Primavera" cut into panels, offers an image of awakening sexuality. One detail – thighs and legs behind billowing cloth – is enlarged and illuminated red and forms a door through which Diderot, dressed as a contemporary gallery owner, wine glass in hand, zips on stage to control his 18th century costume spectacle.

Illusions come and go, theatrical games instruct and delight: this is drama in the very best Brechtian tradition. Debroux is the kind of director who knows how to give you a good time. After the Brussels run till 3 March, the production tours Belgium and Switzerland till 3 May. Catch it where you can.

Jackie Wullschlager

More to china than mania

Susan Moore visits the the British Museum

However one cares to quantify the mass of material in the British Museum, the statistics are overwhelming. Its 11.5 acre site claims collections that run into thousands, even millions. There are, so it is said, 25 tons of palaeolithic flints, should one wish to examine them; four centuries of man-hours are required to computerise all the items in the Prints and Drawings Department. The collection of Greek and Roman Antiquities is among the finest, the Egyptian collection is the largest outside Egypt, and the collection of Islamic ceramics the most comprehensive anywhere.

What is the public to make of the bounty in its midst? The answer depends largely on what a museum allows one to make of it. In the last few years the BM has informatively re-displayed a number of its major collections, and staged a series of exemplary exhibitions that have mined various rich – and variously recherché – veins, from Archaic Chinese bronzes to Italian maiolica. Last year, the new Japanese Gallery hosted an ambitious exploration of the fashion for Japanese porcelain in Europe. These displays delighted scholar and layman alike.

Currently out of store for our delectation and edification (until August 18) are some 200 Chinese ceramics. The show marks the publication of S.J. Vainker's "Chinese Pottery and Porcelain from Prehistory to the Present" (British Museum Publications £19.95, exhibition price £14.95), and represents a measured distillation of the museum's 8,000 Chinese ceramics through some 7,000 years. The Chinese collection is – needless to say – outstanding, and generously endowed with works of historical importance, considerable rarity and consummate artistry.

Ever since "china-mania" swept through Northern Europe in the 17th century, Europeans have tended to think of Chinese ceramics in terms of the glorious blue and white export porcelains produced in Jingdezhen in Northern China. This exhibition devotes perhaps a quarter of its space to these mass-produced wares that were made specifically for Japanese, Middle Eastern, European and South-East Asian markets from the 10th century onwards. (Dr Johnson's massive four-quart *famille rose* teapot finds a place in the European section.) Rather the emphasis is on the technical and aesthetic progress of the three ceramic traditions of stonewares – dominated by the greenwares or celadons prized for their similarity to jade – porcelains and religious sculpture.

The show's documentary approach is straightforward, the presentation sober. The charms of the ceramics are subtle, but anyone who sets aside time to look at them will be amply rewarded. At their best, they have a rare presence commanded by mutually enhancing formal restraint, near-perfect potting, and a variety of glorious glazes.

A black earthenware bow-handled jar of the Han dynasty (206BC-AD220) has the power of primitive sculpture, and is as much, if not more, to contemporary taste as the experimental Tang splashed ware, sancai glazes or marbled ware. Painted decoration began on crude, utilitarian wares in the 8th-9th century, and was to reach its peak technically under the Qianlong emperor.

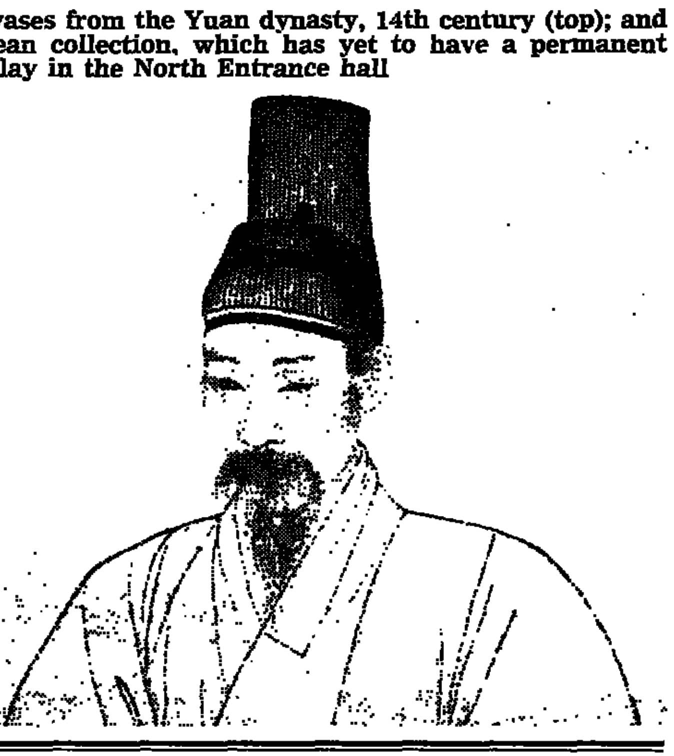
These 18th century porcelains may be technical tours-de-force, but they pale beside their infinitely subtle Song counterparts of 300-500 years before. A magnificent and early one-off is the 10th-11th century white porcelain phoenix-head ewer with its crisp, ferociously furrowed brow and flickering tongue. The free, iron-red decoration on a later black ware vase is a characteristically perfect foil to its pleasing bulbous shape.

The so-called "five great wares of China" have been fêted since they were produced, and these serene vessels ravish the eye and sooth the mind. Their glazes run the gamut from white and ivory, through blues and greens and lavender splashed with purple, to a rare and intense yellow, a difficult copper red, and "peach-bloom", a glaze restricted to items for the scholar's studio. It is hard for those of us born this side of the Industrial Revolution fully to comprehend the mastery of, say, the potters of the Ming ceremonial wares, with their deceptively simple perfect symmetry and glazes. At least we are here given the opportunity, and the peace, to try.

★

New galleries for the museum's Oriental collections continue apace. Two years ago saw the opening of the John Addis Gallery of Islamic Art, last year a new Japanese Gallery; and next year a major gallery for the arts of China and India, funded by Mr Joseph Hotung, will open its doors. The museum is currently endeavouring to raise funds to display its Korean collection, the most comprehensive in Europe, a gallery planned for when the British Library vacates the Bloomsbury site.

In the meantime, the North Entrance hall and staircase is graced with a small but choice selection of its Korean goodies, including the beautiful Koryo celadons, bronzes and sculpture, and such various rarities as 5th-6th century gold ear pendants, a 13th century lacquer sutra box inlaid with mother-of-pearl, and an 18th century ink portrait of a weary-eyed Confucian scholar.



Chinese porcelain bottle vases from the Yuan dynasty, 14th century (top); and a drawing from the Korean collection, which has yet to have a permanent gallery, currently on display in the North Entrance hall

Correction

In the late editions of Wednesday's paper the London Philharmonic Orchestra was erroneously described as the London Symphony Orchestra.

The Featherstonehaughs

THE PLACE

The six men who are The Featherstonehaughs wear grey suits, white shirts (no ties) and clunky shoes. Hats come and go, as do jackets, but a permanency is the deadpan manner in which they perform. As novocained about the face as Buster Keaton – but far less witty or daring in action – the team are displayed in movement cameos devised by Lea Anderson.

Miss Anderson's choreographic vision relies heavily upon mimetic gesture, flailing arms and sudden kicks, with the occasional burst of something more taxing. It is a style which teases the imagination for about three minutes, then settles into predictability, and there are limits even to *déjà vu* as a creative procedure.

The Featherstonehaughs' new programme, to be seen at The Place until the end of this week, passes itself off as a "Big Feature", but it amounts to no more than a sequence of a dozen revue sketches of dubious merit. These little dance scenes rely upon a severely limited vocabulary to make heavy-footed jokes which neither probe into masculine attitudes, or – as one might hope from a female choreographer – mock them with any satiric verve.

Legs, legs legs is inspired by Irish jigs, but is not so nimble or bizarre as the real thing. *A camel ate my flip-flop* (there is oh such roguishness to the evening in titles as in staging) has a swipe at Egyptian dance, without being anywhere near as elegantly grotesque as Wilson, Keppel and Betty, of blessed memory and sand-box. Other numbers find the men smoking while listening to *Tristan* (inexplicable), or fighting, or, tastefully, pretending to be bombed.

It is all, I suppose, frightfully jolly, and not a little amateurish, as the chaps – known only by their first names – endear themselves to the public (which they assuredly do) and occasionally chat, and thank everyone for being so wonderful and helpful, and thank us for coming to see them. It is that sort of an evening, and I wish it wasn't.

Clement Crisp

François Le Roux

WIGMORE HALL

The stars were shining on François Le Roux the night he was born. Not only did they give him a wonderfully expressive voice and a natural ability to communicate; they also set him down in France, so that when he grew to adulthood he would become the prime example of a rare species which is only to be seen once in any generation – the born interpreter of French song.

That Le Roux is now the leading singer in that area can hardly be open to question. In every conceivable way he sounds French, starting from the very timbre of the voice, a dryish baritone, but one with a distinctively Gallic kind of beauty, poignant, seductive, vulnerable. This singer is without doubt a poet in his own language. What a gulf there is between the real thing and the efforts, however well-intentioned, of foreigners.

To make any meaningful comparisons, one has to look back to the greatest of his French forebears. His recital last night, for example, included a couple of Faure's *mélodies.* Of these, "Prison" was recorded by both Bernac and Souzay, the former with marvellous verbal intensity, the latter with more beauty of sound. And it is Souzay that Le Roux recalled, though his singing of the piece ended with a heartrending final phrase which even that singer did not equal.

As though to show off his versatility, this programme ranged widely. A Liszt group displayed the extra fullness of tone that the singer can bring to German Lieder, though the songs themselves were not very interesting. A further German section then followed with a mixture of "Peregrina" settings to words by Möricke, half by Wolf, passionately sung, half by Schoeck, the latter wandering down much the same tortuously chromatic paths.

Best of all, though, was Debussy's *Fêtes galantes II,* soaked in feeling. There the rhythm of the words was so natural, so fluid, that the listener felt caught in their flow. Finally, to end, we had Ravel's Don Quichotte songs, vibrant, amusing, teasing, except for an earnest note or two in Irwin Gage's otherwise fine accompaniments.

Richard Fairman

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

There is an unusually rich selection of operatic first nights in the coming week. The annual Handel Festival in Karlsruhe opens tomorrow with the first performance in Germany of *Arianna in Creta* (1734).

Tomorrow also sees the first night of a new production at the Royal Opera, Stockholm, of Dominick Argento's *The Aspern Papers.* Elisabeth Söderström sings the role of Juliana Bordereau, which she created when the Henry James-inspired opera was first staged in Dallas in 1988.

On Sunday, the young Soviet star baritone Dmitry Hvorostovsky sings the title role in Andrei Serban's new production of *Eugene Onegin* at La Fenice, Venice.

Monday sees the first performance at the Met of *Katya Kabanova,* conducted by Charles Mackerras, staged by Jonathan Miller, with Gabriela Benackova as Katya and Leonie Rysanek as Kabanicha.

On Tuesday, Myung-Whun Chung conducts Andrei Konchalovsky's production of *The Queen of Spades* at the Opéra Bastille in Paris, with a cast led by Regine Crespin, Vladimir Popov and Sergei Leiferkus.

Barcelona and Milan are staging two major operatic revivals this weekend. The Gran Teatre del Liceu in Barcelona has unearthed *Una cosa rara* by the late 18th century composer Vicente Martin y Soler. Born in Valencia, he made his debut as an opera composer in Madrid at the age of 22, and produced operas successfully in Naples, Turin and Venice. *Una cosa rara,* written in Vienna in 1786, for a time eclipsed *Le nozze di Figaro* in popularity. Martin y Soler died 20 years later in St Petersburg, where he had gone to work for the Russian court.

At La Scala, Milan, Riccardo Muti conducts Cherubini's *Lodoiska,* written for Paris just after the French Revolution and bearing some of the characteristics of the French opera-comique, particularly in the ensembles and spoken recitatives. The plot is a full-blooded Romantic one, and the music – somewhere between Mozart and Beethoven, but not so inspired – is just the kind at which Muti excels. The staging is by Luca Ronconi.

Shrugging off fears of falling audience figures as a result of the Gulf war, London's West End has a burst of first nights starting with Ben Elton's new comedy *Silly Cow* at the Haymarket (Tues), the Broadway musical *42nd Street* at the Dominion (Wed), and Peter Hall's new production of *Twelfth Night* at the Playhouse (Thurs), with a cast including Eric Porter.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dutch Drawings from the Collection of Maida and George Abrams: 115 drawings mainly from the early 17th century, including works by Goltzius and De Gheyn, the Ostade brothers and Rembrandt and his school. The Abrams' collection, gathered over the past 30 years, specialises in genre compositions and figure studies, but also includes coloured drawings of flowers and animals. Ends April 28. Closed Mon

CHICAGO

Art Institute Modernist Photography, a selection of new acquisitions featuring early modernist work by Alexander Rodchenko, Charles Seeler, Edward Weston and Andre Kertesz. Also included is a rare photograph by Nadar (1820-1910) of the inside of a helium balloon, predating by several decades the abstract light experiments of early modernist photographers. Ends April 21. Also High and Low: Modern Art and Popular Culture. The exhibition looks at the 20th century dialogue between art and commercial culture, with its impact on product and package design, comic strips, advertising and museum masterpieces. Among the artists represented are Dubuffet, Duchamp, Warhol and Picasso. Ends May 12. Daily

LAUSANNE

Fondation de l'Hermitage Mario Avati (b 1921), 200 drawings, engravings and sculptures which capture the Monaco-born artist's gift for the poetic and the humorous. Ends May 20. Closed Mon

LONDON

Accademia Italiana Italy by Moonlight: The Night in Italian Painting 1550-1850. Nocturnal scenes ranging from the Garden of Gethsemane to fireworks in the Colosseum. Carraci, Lotto and Bassano are represented, as well as several non-Italians, including Elsheimer, the Norwegian landscapist Johan Christian Dahl and the Austrian Michael Wutky. Ends March 2. Closed Mon

Barbican Centre The Apotheosis of Love: a centenary tribute to the English painter Stanley Spencer, with 65 works drawn from collections around the world. Also Man Ray: Bazaar Years, 175 photographs highlighting Man Ray's contribution to fashion photography from 1922 to 1942. Ends April 1. Daily

Royal Academy The Buhrle Collection: Impressionist and Old Master paintings collected by the German-born industrialist Emil Buhrle. Includes two Venetian views by Canaletto, a Van Goyen, Van Gogh's Wheatfield with Cypresses at Saint-Remy, portraits by Cezanne of himself and his wife, a wall full of Gauguin and two studies by Degas. The collection stops with cubism and the fauves, but includes a Kokoschka portrait of Buhrle from 1952. Ends April 14. Daily

MADRID

Fundacion Juan March Picasso: Portraits of Jacqueline. The exhibition covers the period 1954-1971, and brings together 100 paintings, sculptures and prints inspired by and dedicated to Picasso's last wife. Ends April 28. Daily

Museo Nacional Centro de Arte Reina Sofia Masters from the Guggenheim Collection: from Picasso to Pollock. With 125 paintings and sculptures representing the main movements in 20th century art, the exhibition includes work by Miro, Braque, Giacometti, Klee, Matisse and Modigliani. There are 17 works by Kandinsky and seven by Brancusi, including three wood sculptures not seen in public since 1960. Ends May 13. Closed Tues

MILAN

Palazzo Reale Settecento Lombardo: sacred and profane art from 18th century Lombardy, including 200 paintings by Crespi, Ricci and Borroni, and 100 sculptures and engravings by Calegari, Saltiero and others. Ends April 28. Daily

MUNICH

Lenbachhaus Paradoxes of Everyday Life: an exhibition of work by six contemporary artists from Antwerp, portraying everyday objects in a surreal setting. Ends April 7. Closed Mon

NEW YORK

Brooklyn Museum Alfred Bierstadt: Art and Enterprise. Focusing exclusively on the work of the American landscape painter Bierstadt (1830-1902), the exhibition includes 74 oil paintings ranging from small plein-air sketches to the monumental western panoramas for which he is most famous. Bierstadt's use of theatrical presentations to promote his work is recreated as part of the exhibition. Ends May 5. Also Monet and his Contemporaries: Impressionism and Post-Impressionism. Five Monet landscapes from the permanent collection are included, along with paintings by Pissarro, Matisse, Bonnard, Cézanne, Toulouse-Lautrec, van Gogh and Picasso. Ends June 3. Closed Tues

Museum of Modern Art Liubov Popova: 55 paintings and 60 works on paper. This is the first United States retrospective of Popova (1889-1924), a constructivist who is considered one of the most original artists of the early 20th century Russian avant-garde. The exhibition includes a selection of theatre, book and textile designs, many from Soviet collections. Ends April 23. Also British Photography from the Thatcher Years: 75 photographs which attempt to describe the quality of life in inner cities, the English countryside and Northern Ireland. Ends April 28. Also Art of the Forties, a selection of work documenting the early flourishing of American abstract painting, the recognition of Latin American art and the artistic activity that went on in Europe during the Second World War. Ends April 30. Closed Wed

PARIS

Centre Georges-Pompidou Juan Gris: Drawings 1915-1921. A collection of 30 drawings from Valencia showing the vitality of colour that characterised Gris' work in comparison with other Cubists of the period. Ends April 1. Closed Tues

Fondation Mona Bismarck Retrospective of the symbolist artist Émile Bernard (1868-1941), with 60 paintings and 50 drawings and engravings. Bernard's theories and use of thick contours, flat strong-coloured surfaces and refusal of perspective influenced Gauguin in his Pont Aven period. Ends March 16. Closed Sun

Galérie Maurice Garnier Bernard Buffet (b.1928), the French painter loved by the Japanese celebrates Views of New York in his characteristic spiky style. Ends March 29. Closed Sun and Mon

Louvre, Pavillon de Flore Joos van Cleve: an exhibition showing the Italian influences on the Flemish painter, who became a Master in Antwerp in 1511 and visited Genoa around 1515. Ends May 27. Closed Tues

ROTTERDAM

Museum Boymans-van Beuningen Christopher Wool: recent paintings. In his first European exhibition, Wool (b. 1955 Chicago) presents 40 works on the theme of language in painting, which he handles with more than a touch of irony. Ends April 7. Also Alfred Eikelenboom: utopian models, a collection of rectangular and spherical objects developed by the Dutch architect Eikelenboom (b. 1936) over the past 20 years. Ends March 17. Closed Mon

STUTTGART

Staatsgalerie Acquisitions 1983-1990: a collection of drawings and engravings by Old Masters from the German, Italian and Dutch schools, including a Rembrandt. Among the 19th century French prints are several by Bresdin, Bonnard, Vuillard and Roussel, also some modern French and German drawings. Ends April 15. Closed Mon

VIENNA

Kunstlerhaus Roberto Capucci: Gowns as Armour, fashion in steel and silk from past and present. Ends April 2. Also Mozart in Vienna, an exhibition for the Mozart bicentenary. Ends Sept 15. Daily

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Shady dealing by UK plc

WITH ITS publication of the report on the sale of Rover Group to British Aerospace, the House of Commons Trade and Industry committee has provided the synopsis of a pulp novel. It is a story of financial manipulation and deception; of embarrassment in high places and outrage in lower ones; of defensible ends pursued by underhand means.

Unfortunately, the prose of the report lacks the required zip. "We conclude," it says, "that the sale of the Rover Group to British Aerospace may well have been the best solution within the context of the government's policy of privatisation, but we deplore the fact that attempts were made to conceal certain important aspects of the sale agreement from the House of Commons." Such pompous moralising, however justified, will never go down well in the airport pulp book market.

What is needed is a racier approach. The story begins with the order from Margaret Thatcher, strong-willed chairman of UK plc, to thrusting Lord Young, chief executive of the Department for Enterprise (formerly Department of Trade and Industry) to sell its loss-making Rover Group subsidiary at any cost. But the shareholders' committee (also known as the Houses of Parliament) protests bitterly against the notion of a sale to any subsidiaries of rival foreign conglomerates.

Whereupon canny Professor Roland Smith, chairman of British Aerospace, comes forward to take the burden of Rover off UK plc's hands. Over a barrel, Lord Young gives Professor Smith sole negotiating rights for a limited period. Subsequently, he agrees to sell Rover for a mere £150m and to inject the sum of £800m to wipe out its debts.

Regional assistance

At this point, determined Peter Sutherland, head of the European Commission's competition authority, intervenes. The proposed deal, he insists, is bad both for the shareholders and for competition. The cash injection must be reduced. After much debate, the cash injection by UK plc is reduced to £469m, plus £78m in regional assistance.

All this is agreed in July 1988. The sale then proceeds, to the delight of UK plc, its shareholders and Professor Smith. But more than a year later, it emerges that all was not as it seemed. Professor Smith was, it turns out, far from content with the EC's intervention and threatened to pull out, to the dismay of Lord Young. Whereupon a number of unannounced concessions were made, amounting in value to £38m.

Righteous indignation then breaks out. The EC insists upon repayment by British Aerospace of £44.4m, a decision broadly accepted by the board of UK plc, but contested by that of British Aerospace. The latter's objection is surprising since "in the event, British Aerospace acquired ownership of Rover at such a price as to enable it to cover most of the purchase prices by disposal of a few of its assets".

Important morals

Like any good story, this one has some important morals.

Arranging a private sale to one buyer was bound to cause trouble. Combined with government's determination to sell, this led to concealment of the sweeteners it felt obliged to offer.

The indignation of the parliamentary committee about the concealment is a little ridiculous since it endorses the decision to give British Aerospace exclusive negotiating rights and accepts "the argument of Rover's board that competitive bids would have seriously damaged the business". Yet an open auction would have deprived British Aerospace of its leverage. The committee fails to recognise that the ultimate cause of the concealment about which it complains was pressure against an open auction.

The episode leaves a bad taste in the mouth. But its principal lesson is the malign consequences of economic nationalism. The British car industry is being revived, but not under British ownership. The attempt to preserve such ownership in the case of the Rover Group led to a great deal of shady behaviour. The government must bear the blame, but the pressures upon it provide the explanation.

The burden of unification

TAX INCREASES in Germany, to finance the growing costs of unification, are now on the agenda. Regrettably, their form and scale remain unknown. The German government appears finally to have acknowledged the scale of the task in incorporating the eastern länder into the west German economy. Yet even if taxes are raised the strains of adjustment will continue to be felt, both in Germany and the rest of Europe.

The German government continues to run merely to stand still. Mr Theo Waigel, the German finance minister, has finally dropped the pretence that tax increases could be avoided other than to finance Germany's contribution to the war. Meanwhile the federal budget for 1991, agreed at Wednesday's cabinet meeting, appears likely to be out of date even before it can be agreed in parliament. The governing coalition partners met last night to discuss the tax increases that will be needed to finance the extra spending in the east over the DM80bn already budgeted for 1991.

Higher spending will prove necessary because the economic situation in east German continues to deteriorate. Production in the east has collapsed, while the combination of rapidly rising real wages and insufficient productive capital means that unemployment in the east will continue to rise this year.

The eastern länder are unable to raise the tax revenue needed to support their unemployed or to finance necessary infrastructure investment. Private investment will not be forthcoming until this public investment occurs. Substantial fiscal transfers from west to east will continue for many years to come.

Rising deficit

The federal government and the western länder have refused to recognise the scale of the fiscal commitment that unification has brought. This year's public sector deficit is likely to exceed 5 per cent of gross domestic product. Maintaining a deficit of this scale for a number of years would mean passing the entire fiscal cost of unification to future generations, in addition to the higher interest rates that are already being imposed both upon Germany and the rest of Europe.

West German taxpayers should bear a larger proportion of the cost. It is they who will obtain much of the benefit when economic growth returns to the east. Yet the German government has continued to resist tax increases. An unspecified, but probably minor, rise in fuel taxes will probably take effect in July. A more radical package of direct and indirect tax increases is needed, combined with a redirection of indirect tax revenues from the western to the eastern länder. This lost revenue in the west should be met in part by cuts in local spending, not by increased borrowing.

Higher interest rates

Yet the need to re-direct private capital to the east would continue even if the government budget deficit were scaled back. The inflow of capital into Germany requires an offsetting fall in the German current account surplus, already down 20 per cent in 1990 compared to 1989. A shrinking current account surplus requires a real appreciation of the D-Mark, as investors move capital into Germany.

The needed real appreciation will occur either by a revaluation of the D-Mark within the exchange rate mechanism or by a higher inflation rate in Germany than in other European countries. The political capital invested in the current set of exchange rate parities, particularly in France, may preclude a realignment within the ERM. But the Bundesbank is, and will remain, determined to avoid a rise in German inflation above its current level. For the rest of Europe, therefore, a period of high interest rates is in prospect.

The German government must accept that a share of the costs of unification must be imposed upon west German taxpayers as soon as possible. But a substantial part of the adjustment will fall on the rest of Europe, whatever Germany does. In refusing to contemplate a realignment of the D-Mark the European governments must accept that this adjustment will be painful.

As political manoeuvring again takes centre-stage in India, economic collapse waits in the wings, writes **David Housego**

A passage to paralysis

The annual opening of the Indian parliament is normally one of those stately events that India, with its nostalgic taste for pomp and ceremony, likes to savour. But yesterday's address by the president reflected the divisions and disquiet of this unhappy country which is experiencing the twin blights of political paralysis and economic crisis.

After Wednesday's announcement of the postponement of the budget – which was expected to usher in deeply unpopular measures – there is increasing talk among diplomats and officials of the risk of India drifting towards economic mismanagement, and of the inevitability of a debt rescheduling.

In the highest circles of the administration, the word is that Mr Chandra Shekhar, the prime minister, Mr Yashwant Sinha, the finance minister, and Mr Rajiv Gandhi had all been convinced of the need for radical action – "otherwise we face a Latin American situation", as one senior official put it. A diplomat echoed his words: "They don't have good options. It is a hard time."

Yet in spite of the urgent need for deficit-cutting measures, it was Mr Gandhi, former prime minister, who pushed for a delay in the budget for what have been criticised as short-term electoral gains. The postponement was part of the price demanded by his Congress party from Mr Shekhar for its continuing support, without which it would collapse. The Congress feared a harsh budget could damage its prospects in the Tamil Nadu state elections due in April and thus its chances in general elections that might follow later this year.

Budgets have been postponed on previous occasions – normally to give time to a new government to find its feet. But never has it been done for the blatantly partisan purpose of avoiding unpopular tax increases and expenditure cuts that could impair a party's electoral chances.

Whatever euphoria there was in the business community is fast disappearing as India heads for recession

As if to compound the atmosphere of drift and political manoeuvring, the two major opposition groups boycotted the president's speech. The Hindu Bharatiya Janata Party (BJP) was protesting at the decision to postpone the budget, due to have been presented next week; and the alliance between former prime minister Mr V P Singh's Janata Dal party and the left stayed away in protest at the president's recent dismissal of the elected government in Tamil Nadu. Mr Shekhar was again pushed into this move by Mr Gandhi, himself responding to pressures from his own Tamil allies.

Thus in the largely empty central hall of parliament, President N Venkataraman read his speech only to members of the government and their supporters – a parliamentary party of just 54 in a house of 524. Overnight, the prime minister had lost his foreign minister and four other ministers – forced to resign after being disqualified by the speaker for illegally switching parties. No other administration in India's post-independence history has seemed so fragile and so short of talent – with the notable exception of Mr Shekhar himself who has dumbfounded his critics by his political astuteness and flexibility.

"Never before in the history of independent India has parliament met in circumstances such as those prevailing now," began an editorial yesterday in the Economic Times, the country's leading economic daily.

Beyond the immediate perimeter of parliament, a bomb explosion at Ghaziabad, an industrial town near Delhi, that killed 15 people, was a recent reminder of the hatred that continues to divide Hindus and Moslems in much of northern India. With the Punjab and Kashmir largely under the control of militant separatist movements, social tensions threaten to erupt at any moment, exacerbating the frail economic situation.

Whatever euphoria there was in the business community at India's record rates of economic growth in the late 1980s is fast disappearing as the country heads for recession. The stock market has recently plunged 40 per cent in two months.

Bajaj Auto, India's largest motorcycle manufacturer and a benchmark for the engineering industry, has laid off 3,500 people. Inflation has doubled in a year to more than 12 per cent, as stagflation becomes a growing problem for industry. In a country where the poor live on the borderline of starvation, prices have become the main political issue.

Already in early January India was close to technical default. Foreign exchange reserves had dropped to Rs15.7bn or the equivalent of two weeks of imports. This was despite the sale, since November, of virtually all India's holdings of long-term foreign securities which helped provide cover to the currency. The sale was preceded by a revaluation of India's official gold stocks.

In late January the reserves were boosted to the equivalent of about six weeks of imports by an initial $1.8bn borrowing from the International Monetary Fund. This was made on the understanding that India would reduce its budget deficit in fiscal 1991-92 to 6.5 per cent of gross domestic product from the 8.3 per cent anticipated in the current financial year.

The initial IMF borrowing was to have been followed by a second $2bn stand-by credit with more stringent conditions, that would have been negotiated in the wake of the budget. Both the IMF and the World Bank are apprehensive that India will slip into a debt trap by taking on fresh borrowings without carrying through the stabilisation measures and structural reforms enabling it to generate the exports needed to repay the debt.

An IMF team was due in India in late March after the budget had been passed to assess the credibility of the measures and discuss future policy. On the fate of these negotiations hinged additional borrowing and assistance from bilateral donor nations and the commercial banks.

With the budget postponed, and the planned visit of the IMF team now in doubt, India faces the prospect of a further rapid depletion of its reserves or draconian import curbs. It was the unprecedented gravity of the situation – particularly the jolt to national pride of selling the country's holding of foreign securities – that convinced many senior officials and western diplomats that the government intended a tough budget.

But as the debate continued over recent weeks, and as political expediency converged with a beneficial drop in oil prices, it became clear that the government was exploring a less painful approach. The IMF-style adjustment programme had encountered opposition from high-level civil servants who believed it was inappropriate and would impose unnecessary strains on India's complex and fragile society. Such views, seen by Moody's, the US credit-rating agency, as complacent, were a big factor in Moody's downgrading of India's rating by two points in October.

Even factions of Mr Shekhar's own party were not in favour of an austere budget. The farmers' lobby, led by Mr Devi Lal, the deputy prime minister and minister of agriculture, was particularly resistant to a proposed cut in fertiliser subsidies. But the clinching blow came from Mr Gandhi, who was worried that his party would not triumph in the Tamil Nadu elections. There is no certainty, once these elections are out of the way and a general election looms, that he will be any more prepared for a tough budget in May, the next most likely date.

Though the Gulf crisis has added greatly to India's problems – costing the balance of payments account an extra $2bn this year – it is by no means the cause of them. Large and cumulative current account deficits have built up an external debt of more than $70bn and repayments that exceed 30 per cent of export earnings.

This financial year the deficit is likely to be $9.5 to $11bn. In financing this, India can count on net capital inflows from aid, deposits by Indians living abroad, and commercial borrowing of Rs5.5bn. The draw-down on the foreign exchange reserves, net borrowing from the IMF, and [illegible] provide another $4bn. But India faces a potential shortfall of $1.5bn.

In 1991-92, with the foreign exchange reserves depleted and the second slice of an IMF borrowing now in doubt, the shortfall could be as much as $3 to $4bn. Members of the IMF and many Indian economists see the balance of payments problem as the reflection of the far more deeply rooted difficulty of continuingly high and no longer sustainable fiscal deficits. These stem from a trend that grew worse under Mr Gandhi's premiership: higher economic growth was achieved through greater liberalisation but accompanied by increasingly loose macroeconomic management.

Total government borrowing – the consolidated deficits of the central government and the states – is now more than 10 per cent of GDP. It is therefore equivalent to total household financial saving – meaning that additional investment is increasingly been financed out of inflation or foreign borrowing.

The main reason for the rising fiscal deficit has been the government's failure to check its own current spending. This now absorbs 23.4 per cent of GDP – an increase of 7 percentage points over the 1980-85 period. Half of the increase has come from the rise in interest payments on government debt and the rest from defence, and food and fertiliser subsidies.

As a result, the government's borrowing to finance its own consumption has risen sharply from Rs3.9bn in 1981-82 to Rs147.3bn in 1989-90 and perhaps Rs190bn this year. Correspondingly, public sector investment has been squeezed and interest payments absorb a growing proportion of government revenue (currently 30 per cent).

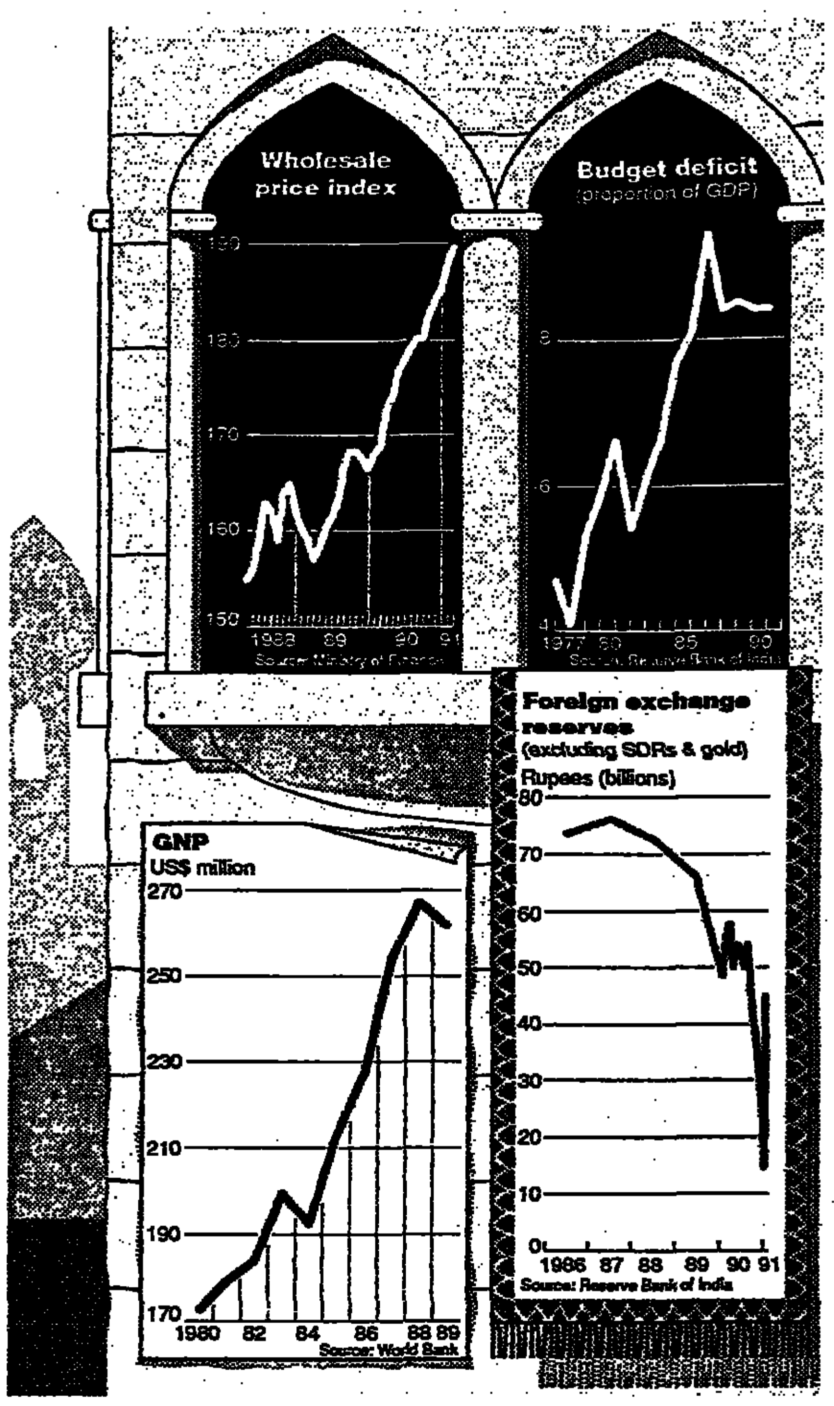
Both the World Bank and the IMF told the government that the proposed cut in this year's budget deficit to 6.5 per cent of GDP was too timid. Even before the budget was postponed, there were doubts that the government would actually achieve the target – the deficit has badly overshot in the past three years – or that sufficient weight would be given to cuts in expenditure.

Apart from these stabilisation measures, the IMF is also pressing for a medium-term package of structural reforms to improve the competitiveness of the Indian economy and its export potential. These would include lower protective tariffs, industrial deregulation, privatisation, reform of the financial markets and increased foreign investment.

There is no sign that this type of programme – already being implemented in neighbouring Pakistan, Bangladesh and Sri Lanka – is under serious consideration. One problem is that though India has a planning commission whose responsibility is long-term physical investment, it has no mechanism for looking at medium-term structural reform.

The one recent attempt to set out a medium-term programme came in a cabinet paper prepared in June by Mr Montek Ahluwalia, then economic adviser to Prime Minister V P Singh. But its integrated approach of market-oriented reforms – including budget stabilisation, deregulation, tariff reform and a more open policy on foreign investment – ran into strong resistance from senior bureaucrats. Among those who criticised the approach were Mr Bimal Jalan, the former finance secretary, and Mr S P Shukla, the current finance secretary.

Most observers see no end to the political instability that gave rise to the decision to postpone the budget. The president warned at the new year that Indians must get used to coalition government. The risk – as this week's events have shown – is that it will be populist government as well.



OBSERVER

Power vacuum

■ Hong Kong is soon to have a new financial secretary. The successor to Sir Piers Jacobs in the potentially powerful job – third in seniority behind the governor and the chief secretary – will be 51-year-old Hamish Macleod.

The slightly built introvert has been promoted fast in the past three of his 25 years in the Hong Kong civil service. But although currently ranking second in the financial hierarchy, he was not the first choice to head it.

Governor Sir David Wilson trawled the external world for a more substantial recruit for the job with a salary of around £100,000 taxed at 16 per cent and perks including an elegant house. Among the people unsuccessfully approached, it seems, was Sir Peter Middleton, the UK Treasury's permanent secretary.

Before Jacobs took the post five years ago, the financial secretaries were often extremely potent, working alongside the governor over the chief secretary's head. But not so Jacobs, who looked lost during the 1987 financial crash, makes public gaffes, and has been sidelined by present chief secretary Sir David Ford.

While Macleod will almost surely be the last non-Chinese incumbent, he was preferred to two ethnic Chinese candidates – trade secretary John Chan and Mrs Anson Chan, economic services secretary.

Another unsuccessful candidate was John Yaxley, Hong Kong's commissioner in London. His disadvantage was probably that he is less close than Macleod to the two all-powerful Sir Davids.

Cockpit chatter

■ Is Norman Tebbit, MP and former BOAC airline pilot, on final approach for the chairman's job at the Civil Aviation Authority?

The UK airline industry is excited by a report that the ex-chairman of the Conservative party was seen close by the CAA's Kingsway headquarters. Sir Christopher Tugendhat leaves the £67,000-a-year job in May to become chairman of Abbey National, and so far the political radar has failed to pick up his successor.

Of four CAA chairmen to date, Tugendhat and Lord Boyd-Carpenter have been politicians, Sir Nigel Foulkes a businessman, and Sir John Dent an engineer. Given that British civil aviation is undergoing its biggest shake-up in years, the betting is that another politician will be asked to climb into the CAA cockpit.

Tebbit, like Tugendhat an old FT hand, tells me he has neither been approached nor stepped inside the CAA for more than 18 months. He is standing down as an MP after the next election. But as that won't happen before the CAA post becomes vacant, it seems to rule him out.

Or does it? "One is always reluctant to dismiss ideas out of hand" he says.

"He's rather proud we can afford a war and a recession at the same time."

Burning issue

■ Despite the Gulf war, members of the French government have found time and energy for a wonderful public argument about a new brand of cigarette.

Last summer, as part of its campaign against tobacco addiction, the government introduced a law to curb cigarette advertising before banning it altogether in 1993. The law would also ban the promotion of cigarettes even indirectly, by means of logos on clothes and suchlike.

But behold, the state cigarette monopoly SEITA has teamed up with Chevignon, a French manufacturer of casual wear for adolescents, to launch a new cigarette under the Chevignon brandname.

No doubt it's good marketing. The dated style of the leather Chevignon jackets, modelled on American flying jackets of the 1950s, has made them the smartest thing among the young. But a furious row has broken out between the health minister, who says it is intolerable and illegal, and the budget minister who maintains it is good to promote French (rather than American) cigarettes.

Now Prime Minister Michel Rocard has declared that the situation is "not acceptable" and must be put straight. We shall see.

Family question

■ If any one event precipitates Kleinwort Benson's eventual decision to get out of the securities business, it will be last year's expensive fiasco over the placing of the Burmah stake in Premier Consolidated Oilfields.

At the time, there were those who admired Kleinwort's loyalty in sticking with its client and not trying to cut its losses by hawking the 30 per cent stake to would-be predators. However, Premier has now ditched Kleinwort and moved across to UBS Phillips & Drew.

Poor execution seems to count far more than loyalty these days. Premier's Roland Shaw may come to regret this cavalier attitude. But for the moment it has again focussed attention on Kleinwort's weaknesses.

Does it hang on in the hope of a return of the bull market or try and sell the securities business before it disintegrates? That's what the debate is all about in the Kleinwort family, at least.

Over the top

■ The Bank of England yesterday obtained a provisional liquidation order against the Rafidain Bank, Iraq's largest financial institution. Is this the breathlessly awaited sign that the ground attack is about to begin?

"We have absolutely no knowledge of that" said a Bank official, explaining that it was merely trying to protect Rafidain's depositors, some of whom are British banks.

Twist

■ Two missionaries, a Dominican and a Jesuit – were arguing if it was a sin to smoke and pray at the same time. Unable to decide, they agreed to ask their respective superiors.

When they met again, it turned out that the Dominican had been told it was a sin whereas the Jesuit had been told it was permissible.

"Well, my superior was absolutely clear," the Dominican explained. "I went up and asked if it was all right to smoke while praying, and he said no."

"Aha," the Jesuit replied. "I asked if it was all right to pray while smoking."

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POLITICS TODAY

Stubborn ideology piled upon stupidity

By Joe Rogaly

The British government is in a worse pickle over local taxation than most people realise. The unpopularity of the poll tax is well known, but that is not even half the story. For what is gradually dawning upon Mr Major's administration is that any modification of the community charge, any likely replacement, any new wheeze, is bad news – bad for the exchequer, bad for the Conservatives and above all bad for local government. That is the price a party pays, and deserves to pay, for spending five years piling ideology upon stupidity and capping it with stubborn defiance of the obvious facts.

Obvious? It has all been obvious from the start. Many of the arguments being heard at the moment were rehearsed in the report of the Layfield committee, which was published in 1976. It proposed the introduction of a local income tax, in addition to rates. Virtually all of this year's fiscal horrors were foreseen in a little green paper published in December 1981. Entitled "Alternatives to Domestic Rates," it was produced by the Department of the Environment. The chap in charge at the time was one Michael Heseltine. The civil servants who were working to him then are, with one or two exceptions, the same individuals who are advising him now. The quick-thinking Sir Terence Heiser was responsible for local government finance then and is permanent secretary today. His team, which included some very bright people, produced "Alternatives" and they know now – have known all along – just how grisly the alternatives are.

"A poll tax would have a very broad base and would be suitable for all tiers of local government," said the 1981 paper. Nothing wrong with that. But catch the next sentence: "It would be possible to take advantage of all these desirable features while minimising enforcement difficulties and the effect of the tax on those on lower incomes *if it were used only to supplement a major revenue-raising tax.*" (My italics). In other words, slap on a charge of "say £25-£30 a head a year" as an addition to rates or local income tax and you might get away with it, *if* you used the electoral register to monitor payments. A separate poll tax register would be very expensive, and subject to evasion.

This idea of a small supplementary personal charge, based on the electoral register, is very much alive today. It should be abandoned. It might have worked in 1981. It would be a political failure now. Everyone would know it was a face-saver, designed to cover a retreat to the old rating system. Mr Bryan Gould, Labour's shadow environment secretary, showed in the Commons on Tuesday just what mincemeat he would make of such a device.

Mr Heseltine's successors in 1983 were Mr Tom King followed by Mr Patrick Jenkin. Under this pair of itinerant secretaries of state our team of very clever civil servants sat around the same table discussing the same old problem. In August 1983 it produced a white paper – "Rates". This flatly rejected the poll tax. "The Government have concluded . . . that rates should remain for the foreseeable future the main source of revenue for local government," said paragraph 2.15. In 1985 in came yet another environment secretary, Mr Kenneth Baker. The old firm compared its files with ministers' wishes. It turned out "Paying for Local Government", the 1986 white paper that introduced the community charge. This was not yet at its worst: it was to be phased in "over a period of 10 years". It took a subsequent Tory conference to perpetrate the ultimate madness of doing it all at once.

Do not misunderstand me. None of this is a criticism of the officials at the Department of the Environment. They were doing their duty, with some skill. It was the ebullient Mr Baker and his successor, Mr Nicholas Ridley, who pushed through a tax demanded by the Tory right, which was then crowing into ascendancy. The more demented of the ideologues wanted a means of disciplining the poor by taxing them. That way they would stop electing Labour councils that spent too much money on providing extra social services.

At this point a mechanism designed to cause trouble for years ahead – probably well into the present decade – was inserted into the works. Business was exempted from locally-initiated taxation. The uniform business rate was introduced. Whitehall sets the level according to the retail prices index and allocates the proceeds to the councils. The effect of this is dramatic. In the words of the all-seeing 1981 green paper, "central control of non-domestic rate poundages" would lay all the burden on a "lumpy" domestic tax of some sort.

I would put it another way. Uniform business rate will either reduce local government to a rubbish-collecting rump, or put the kibosh on any reform proposals that may be devised during the current panic under Mr John Major, or both.

Here is why: in 1979 about 60 per cent of local authority spending was covered by government grants. The proportion has been pressed steadily downwards since then, reaching 42 per cent in the current financial year – less if you exclude bribes handed out to alleviate the effect of the poll tax. We believers in a strong local democracy would be delighted with the trend-line described by these figures if the rest of the bill was being met by locally-initiated taxation. That would indicate a growth in the independence of locally-elected bodies.

Until the year to last April, just such growth was enjoyed. Local rates covered 40 per cent of local spending in 1979 and 53 per cent 10 years later. The business rate is, however, half of that 53 per cent. Take it away, give control to Whitehall, and everything falls on the lumpy poll tax. Business makes no incremental contribution to local discretionary expenditure. Treasury miscalculations of the rate of inflation, or sudden lurches in unforeseen costs. Everything directly hits the poll tax, which accounts for 28 per cent of spending this year. The result is the famous gearing effect: £1 of additional spending by a local council translates into nearly £4 on the poll tax. It is financially murderous.

Most of this analysis is well understood. What is not widely appreciated is that the same gearing will apply for so long as government grants are kept down and the uniform business rate is left untouched. Say a capital-value based rate is put in place of the poll tax and nothing else is changed. The rules of arithmetic do not change either. All the burden of discretionary spending falls on the new rate. It may be levied according to ability to pay, which would be an improvement, but it will remain lumpy, and subject to lumpy increases. Simply replacing the poll tax, therefore, will not do. Against that, reverting to a locally-determined rate on non-domestic properties would be widely opposed by a business community that is growing accustomed to the UBR. Mr Major is in enough trouble with what must be called the Old Right as it is.

A local income tax would also outrage much Conservative opinion, and too many voters, to be worth contemplating. Well then, how about a sales tax? The 1981 paper argued eloquently against it; the 1983 paper said it was "least favoured", and the 1986 model savaged the idea. They were probably right. Cross-border shopping would be an almost insurmountable obstacle in so small a set of islands as these.

There is only one option left: throw in more taxpayers' money, in the form of grants. The civil service knew this in 1981, but they it was not impressed. "Any . . . hypothecated grant for education . . . would . . . require an increase in central government manpower, probably without any offsetting reduction in local authority staff," according to one of the politely-phrased objections in the green paper. Whitehall knows by heart the arguments about direct funding of the police, firemen, and so on.

Such administrative objections can be overcome. The education department could simply fund teachers' salaries, sending gross cheques to local town halls or salary slips to schools. Higher education could be taken out. Schools could be encouraged to remove themselves from local authority control. But the underlying arithmetic cannot be changed. Mr Major might hope to halve the poll tax by further centralisation. If he did, the gearing effect would be doubled: however little there was left for local government to do, extra unforeseen costs would be magnified many-fold and presented as a lumpy addition to the remaining community charge. Of course, the net cost to the rate or chargepayer would be smaller than it is today. If we enter a period of low inflation the overall effect might be just acceptable to future voters.

Yet if this is the route the government chooses it ought to be accompanied by a statement of intent to wind up most of local government. Mr Heseltine's plan to abolish some of the county councils and provide for directly-elected mayors would be a sham; the mayors would be mayors of nothing, the councils mere agents for *central ministries.*

The better route is to set out a plan for maximising locally-raised finance and thus local autonomy. The Liberal Democrats do this with their local income tax. They can afford such courage: they are not about to become a government. Labour went through all the agonies described above before settling back on to a domestic rate. The party shrinks from local income tax but would restore the local authorities' power to set the business rate locally. Come to think of it, Mr Gould's paper "Fair rates" sets out a strategy that, with few modifications, would be an ideal one for Mr Major to crib – always assuming that his basic aim was to support local government.

But then perhaps it is not. I am led to believe that the prime minister is a Jane Austen enthusiast. He might revisit Emma and focus on Mrs Elton, who remarks: "One has no great hopes from Birmingham. I always say there is something direful in the sound." If he is not careful in his choice of direction for Britain's local government, most of its cities will come to sound direful to Conservatives.

LOMBARD

Why risk should be expensive

By Norma Cohen

Imagine this. You have had your licence suspended three times for drunk driving and reported your car stolen twice. Your neighbour, meanwhile, has an unblemished driving record and has never been reimbursed for auto damages.

Any chance you will both pay the same insurance premium? Not on your life.

But if you were an American bank – or savings and loan institution – insured by either of the two federal deposit insurance schemes, that is exactly what would happen.

Although premiums paid by banks and thrifts to the federal insurance schemes were sufficient through the early 1980s, failed institutions have since bankrupted both of them and taxpayers have been left holding the bag.

It is impossible to escape the conclusion that the deposit insurance system is largely to blame. It encouraged bank officials to take risks, knowing they would never be asked to shoulder the burden of failure.

The Treasury's plan to rewrite deposit insurance legislation as part of its bank reform initiative is a step in the right direction. Most significantly, it limits the availability of deposit insurance to cash speculators. But it fails to make the most critical connection – that between the risk presented by a bank's assets and the insurance premiums it pays.

First, the new insurance scheme should base premiums not on deposits but on assets. A "points" system could be used to describe levels of risk posed by different classes of assets. For instance, mortgages on properties in which the thrift also has an equity stake should carry a higher premium than mortgages on single-family owner-occupied residences. Similarly, mortgages with loan-to-value ratios of more than 90 per cent should be more expensive to carry than others. Thrifts which wished to hold portfolios of junk bonds or invest in race horses or fast-food outlets would be forced to pay higher premiums still.

For banks, not only must classes of assets be rated in terms of the risk they carry, but an effort must also be made to reward institutions which lower risk through diversification. Thus, it is necessary to abandon the McFadden Act restrictions limiting interstate banking activities and to encourage a wider mix of lending activities.

None of this would prevent bank failure. It would just make risk more expensive. Furthermore, it would fatten the insurance pot against the next downturn in the business cycle.

A revamped insurance scheme would also have to address the thorny question of whether all deposits should be insured up to $100,000. There is no reason why this figure should be sacrosanct. The US government has found itself in the uncomfortable position of saying it would strictly enforce the ceiling for deposits at small banks, while insuring larger amounts at larger banks on the theory that some banks are just too big to fail.

Banks should have the option of declaring the ceiling they would like to set on insured deposits. Banks with large numbers of smaller depositors, for instance, may only need to insure most accounts up to $25,000. They could pay a lower premium for that privilege and a small additional sum for the handful of larger deposits they wished to insure.

Conversely, banks could seek a higher ceiling on insured deposits provided they were willing to pay higher premiums to cover it. And of course, consumers would have to be adequately informed about the terms of deposit insurance.

Of course, the deposit scheme is not the only place to address risk. The case can also be made for higher capital ratios for banks wishing to take on new business. The argument that some of this would force banks out of business should prompt few tears; there are far too many of them, anyway, and fierce competition has served to encourage rash lending practice.

The integrity of any future insurance fund – the bulwark of stability for the US banking system – will be in doubt until there is a clear relationship between risk and cost.

LETTERS

Improving share option schemes

From Mr Alan M Judes.

Sir, Mr Jacobs's letter (February 19) is valid for savings-related option schemes where modest values of shares are placed under option to many employees. It is not valid for executive share options where *significant sums* are involved.

First, he states that dilution of shareholders' equity is a necessary consequence of the option arrangement. This is not the case, as by using shares held in an employee share trust no new shares need be issued and therefore no dilution of shareholders' equity need take place.

Secondly, he states that improving option arrangements is doomed to failure. I submit that it is possible to *modify* current option granting practice in a small way that will have a significant effect on the emerging reward. Options should be granted with an escalating strike price of, say, 9 per cent a year, to represent the return that shareholders could have obtained in a relatively risk-free manner elsewhere. The dividend equivalent on the option shares should be accumulated in a share account for the executive and be made available to him when he exercises his option.

The result will be a linking of executive reward to total shareholder return. The documents are easily drafted; the Inland Revenue has confirmed that such options can be approved. Such arrangements are called combined plans.

Shareholders should require that such options be granted over the long-term. Executives would then have reason to concentrate on delivering long-term shareholder return and not be distracted by short-term market fluctuations.

Alan M Judes,
Cockman, Consultants & Partners,
26/28 Bedford Row, WC1

NHS staff in the Gulf

From the director of information, Department of Health.

Sir, Diane Summers' article, "UK reservists' pay gap to be bridged" (February 18) suggests that NHS staff serving as volunteers in the Gulf will not be offered the same benefits as NHS employees who are called up.

This is not the case. The department has written to all health authorities making it clear that volunteers as well as reservists who serve in the Gulf should not suffer any financial disadvantage.

Romola Christopherson,
79 Whitehall, SW1

Planning rules: the ugly results

From Mr David Saunders.

Sir, It is a mistake to assume, as does Colin Amery in *"Thatcher's legacy"*, (Feb 18) that the generally accepted degradation of our built environment is due to a relaxation of planning regulations over the past decade. In fact, despite the rhetoric of the early 1980s, the restrictions upon land use and development have become increasingly tight.

Because of these curbs on new building, developers have to maximise the number of units in developments and so have built at high density. Since the availability of land is scarce, the greatest profit is made by obtaining and trading planning permissions, rather than good quality building.

This is compounded by the fact that our planning system concentrates on where development should take place, almost to the exclusion of architectural merit. The result is that almost anything, however ugly, can be built in an area approved for development under structure and local plans, while even the best and most environmentally-friendly proposal is rejected elsewhere.

What is needed is not a further tightening of controls, but liberalisation. It is the artificial scarcity created by the present system which allows so much of so little quality to be built and sold. With increased supply, only those developers who built to a good quality with pleasing architecture could hope to sell their products.

David Saunders,
director, Housing Choice,
56 Britton Street, EC1

One-party rule in Zambia

From the Zambian High Commissioner.

Sir, Your report entitled "One-party rule loses its shine in rural Zambia" (February 8) by *Mike Hall* cannot go by without comment. Your reporter chose to measure Unip's performance by exposing what he thought were the so-called failures of Unip by interviewing a few misguided Zambians from Lundazi area, one of the many rural districts in Zambia.

While admitting that Zambia may have had economic difficulties, I must point out that it was quite unfair to file a biased report without interviewing the local leadership of Lundazi district who could have provided an account of the situation prevailing in that part of Zambia. Mike Hall should have visited other rural districts in the country.

What he should have known is that remedial steps have and will continue to be taken by the law and the local leadership to stamp out cross-border smuggling and also ensure that farmers who sell their produce to the local co-operative union are paid in good time. Of course, it is only wise and proper to ensure that only those farmers who repay their loans are given a chance again to obtain loans or else there would be no money left to give out to others, if lending institutions failed to recover such funds due to lack of strict lending terms.

Contrary to your report, the majority of the people in Lundazi district, led by their hard-working district governor – Comrade William Banda – have continued to recognise the able and wise leadership under Unip of Dr Kaunda, and have continued to support Unip. They will demonstrate this by voting back Unip into office at the forthcoming general elections.

Edward M Lubinda,
2 Palace Gate, W8

The bombers turned back

From Mr Edward Teague.

Sir, Life is said to imitate art. Joseph Heller's Catch 22 is *black farce, but fiction none* the less. Listening to a Royal Air Force spokesman in Riyadh the other day, I heard him announce that one third of the bombing missions returned with their bombs because "they were unable to deliver them safely". Obviously, the spirit of Major Major lives.

Edward Teague,
Software Systems,
99 Windsor Road, Oldham

Banking crisis

From the chairman, Phoenix Timber.

Sir, An indication of the developing banking crisis is a sign that recently appeared at Lloyds Bank, St James's Street Branch, in London:

"Customers with appointments please report to the nearest counter window."

I suppose that we should be grateful for the "please report," rather than "will report", but what does it tell us about the bank's estimate of their customers' status?

Peter H Quinn
Arisdale Avenue,
South Ockendon, Essex

Dial 'B' for barcode

From Mr E R Brooke.

Sir, The increased information capacity of the PDF 417 system described in the lead item of "Worth Watching" ("Barcodes expand their horizons", February 15), will be ideal for combining barcodes and telephone dialling.

My proposal is that phone directories (and advertisements) should have appropriate barcodes printed in line with each entry. Telephone handsets should have barcode readers built into them, so that their brief presentation to the phone book to the required entry would automatically effect the dialling sequence.

The state of the art of electronics today could easily cope with the technical requirements for this process and the use of PDF 417 coding would ensure the very minimal print area usage per line of entry in a directory. I believe such a system would be very appealing for most telephone users.

E R Brooke,
26 Orrok Park, Edinburgh

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

FINANCIAL TIMES

Friday February 22 1991

DEMONSTRATIONS IN TIRANA

Albanians demand the end of Hoxha cult

By Judy Dempsey in London and Laura Silber in Belgrade

THOUSANDS of Albanians yesterday again demonstrated in Tirana, the capital, to demand the removal of Enver Hoxha's name from more public buildings

The demonstrators, including students and workers, chanted slogans, "Freedom", "Democracy", tore up portraits, and burnt books of the late dictator who died in 1985 after ruling the country with an iron hand for more than 40 years.

Their growing confidence, despite the presence of armoured tanks and armed police, suggests they intend to press the authorities to dismantle the Hoxha cult of personality and perhaps even communist rule itself.

Hoxha's name is revered by the ruling Albanian (communist) Party of Labour (APL), which he founded after the second world war, but despised by the population.

On Wednesday, students pulled down the 30 foot high bronze statute of Hoxha which overshadowed Tirana's main square.

The event led President Ramiz Alia, head of the APL, to suspend the government and introduce presidential rule, claiming "the country was reaching crisis point."

Mr Alia, who was Hoxha's chosen successor, is now fighting for time, if not his political survival.

Although he managed to keep one step ahead of the opposition, which was legalised last December following nationwide demonstrations, the latest demands by students is Mr Alia's greatest single challenge to date.

The APL owes all its legitimacy and power to Hoxha. Were his name to be erased from the history books and his portraits torn down from public buildings, it would signal the end of the APL's claims to power.

Demonstrators are showing growing confidence in Tirana, despite the presence of armoured tanks and riot police

Mr Alia appears to be acutely aware of this dilemma. The number of contradictory developments over the past month confirm the delicate balancing act he is playing between the opposition and the APL.

For instance, a decree was issued last month which banned any public discussion of Hoxha. This was the spark which ignited the students demands to have Hoxha's name dropped from the University in Tirana.

They boycotted all classes at the university and several hundred started a hunger strike last Monday.

Despite the decree, the state-controlled radio and television broadcast reports on the boycott and showed pictures of Hoxha's statute crashing to the ground last Wednesday.

"This shows that the media is with us," said Mr Gramoz Pashko, one of the leaders of the independent Democratic party, which was founded last December.

This seems implausible. The state remains fully in control of the media, although it has granted air time to the opposition in preparation for the country's first free elections which are due to take place on March 31.

"The media must have received its instructions to broadcast the students' demands from Alia himself," explained one western diplomat.

"The police must have received instructions not to shoot into the crowds," he added. The restraint by the police has been remarkable.

Since December, Mr Alia, and the opposition, have pleaded for calm. "What Alia fears most is a bloodbath. He is so afraid of violence.

That is why he is making some concessions," an Albanian intellectual commented yesterday.

Concessions to the students may win Mr Alia some time. "But they will want more. The youth have nothing to lose," said the western diplomat.

Also facing a Stalinist party which is not prepared to see Hoxha's name buried, Mr Alia is left with few options.

If he cannot contain the demonstrations, he may use his presidential powers to impose military rule.

That would mean a postponement of the elections scheduled for March 31, and a setback for Albania's fragile road to a multi-party system.

Report rekindles BAe 'sweetener' storm

By Michael Cassell and Ralph Atkins in London

THE POLITICAL storm surrounding the £150m ($297m) sale of the Rover Group to British Aerospace resurfaced yesterday after a report by MPs accused the Conservative government of seriously misleading the House of Commons and the European Commission.

The cross-party committee's report singled out Lord Young, the former trade and industry secretary, for his role in orchestrating a £38m package of unannounced concessions - so-called "sweeteners" - intended to ensure that BAe did not pull out of the planned purchase in 1988.

The committee unanimously concludes that the sale of Rover to BAe "may well have been the best solution" but criticises Lord Young and his department for trying to prevent some details of the final agreement from being made available to MPs.

It claims that Lord Young made a statement to the Lords about a package of regional aid supporting the sale which was "not strictly true" and says he "should have told the full story" to the Commission when the deal was first struck.

The conclusions prompted the Labour party to demand a full apology for the misuse of public funds, misleading Parliament, and the concealment of information.

An unrepentant Lord Young said last night that that the deal was good for the nation, Rover's employees and the taxpayer. It was "one of my most significant achievements while in government", he claimed.

The controversy also triggered clashes between committee members.

Three Tory MPs distanced themselves from the most damning conclusions and argued that the deal was good for the country. One, Mr James Cran, complained about the "flowery adjectives" which had no place in a "sober" report.

Mr John Major avoided direct reference to the report when questioned in the Commons. He spoke only of "a remarkable renaissance in the motor car industry and that does of course include Rover".

Details of the "sweeteners" only emerged at the end of 1989, leading to Commission demands that BAe should repay £44.4m to the British government. Government moves to win repayment are stalled, pending a challenge by BAe to the Commission ruling in the European Court of Justice.

The committee accuses the Department of Trade and Industry (DTI) of releasing individual details of the sale package in a way which fell short of adequate public disclosure.

It also claims it was "incensed" to discover that the DTI was not providing it with all documents relevant to the sale.

The committee sums up: "In all these matters, we conclude that the House of Commons was seriously misled".

The MPs criticise the department for failing to value Rover sites before the sale.

They also claim that, by selling Rover assets, BAe had nearly recovered its acquisition costs before it had to pay the £150m purchase price.

Background, Page 7; Editorial comment, Page 12

Commercial fraud on rising trend in Britain

By David Lascelles and Richard Donkin in London

COMMERCIAL fraud is on an ever-increasing trend in the UK, the Serious Fraud Office said yesterday, adding that the amount of money at risk in cases currently under investigation had risen to £2bn ($3.96bn).

Mrs Barbara Mills, the SFO director, said last night that the qualifying threshold for cases to warrant investigation by the SFO – rather than by police fraud squads – might need to be raised above the present level of £2m. The threshold was initially set at £1m when the SFO was set up as part of the government's crackdown on fraud in 1988.

Mrs Mills told a meeting of the Irish Centre for Commercial Law Studies at the University of Dublin: "No-one knows the extent of commercial fraud. We cannot measure it because it depends upon how many frauds are reported." Mrs Mills' visit to Dublin comes amid Irish concerns over the difficulties of prosecuting complex financial frauds in the Irish Republic.

Mr Eamonn Barnes, Ireland's director of public prosecutions, said Ireland should adopt powers similar to those conferred on the SFO under Section 2 of the Criminal Justice Act 1987. These powers deny witnesses the right to silence under questioning.

He also suggested the use of examining magistrates to oversee Irish fraud investigations.

Drawing on aspects of the English system, however, he said the time was fast approaching when a section dealing exclusively with fraud would be established in his own office.

The Irish government was embarrassed by questions about why it had failed to take action against Mr Patrick Gallagher, a property developer, successfully prosecuted and imprisoned for two years in Belfast in October.

The prosecution related to the Belfast Merchant Banking collapse in 1982 with the loss of more than £3.5m belonging to depositors, some of whom lived in the Republic.

Saddam refuses coalition terms

Continued from Page 1

tight time schedule leaving behind heavy weapons.

Also when President Bush dismissed the Iraqi leader's conditional withdrawal offer last week as a "cruel hoax", he called on Iraqis to overthrow Saddam.

President Saddam yesterday, in this his third speech since the US-led coalition launched Operation Desert Storm on January 17, laid the blame at the coalition's feet for bringing about any land war.

Mr Aziz, his foreign minister, had taken to Moscow for his second visit this week details of Iraqi "political efforts".

He said if these were rejected, it would "expose all the deceptions, and will only maintain the premeditated intentions of the aggression against us".

The mixture of defiance and resignation was highlighted when President Saddam said: "There is no other course than the one we have chosen, except the course of humiliation and darkness, after which there would be no bright sign in the sky or brilliant light on earth."

US semiconductor industry slips further in world markets

By Louise Kehoe in San Francisco

THE competitive position of the US semiconductor industry continued to deteriorate last year, with foreign competitors now controlling over 60 per cent of the world market, according to a report issued by the US National Advisory Committee on Semiconductors (NACS).

The industry and government group, formed two years ago by Congress to formulate a "national semiconductor strategy", issued its long-delayed second annual report this week.

The primary focus of the NACS report is upon expanding domestic markets for semiconductors.

"To maintain economic growth ... it is imperative that the US find a way to build a substainable market share in high volume electronics markets," the NACS report says.

The committee concentrated on the emerging markets for communications, advanced display systems and intelligent vehicles.

The committee's recommendations, however, appear to be designed to sidestep the sensitivities of the Bush administration to government intervention or "industrial policy" that favours one industry sector over another. Also avoided in the NACS report is any discussion of the disputes between the US and Japan.

"The market share declines of the American semiconductor industry must be stopped while the industry is relatively strong, if the United States is to continue to play an important part in the global semiconductor and electronics industries," warned Mr Ian Ross, chairman of NACS and president of AT&T Bell Laboratories, in a letter to President George Bush accompanying the report.

"If the long-term downward trends in market share and investment continue," the study found, "the impact on the US economy will be very serious and long-lasting."

The NACS lists several reasons for the US semiconductor decline, including the high cost of capital. It makes no mention, however, of alleged "unfair" Japanese trade practices, which have commonly been blamed. This apparently intentional omission comes as the US and Japan are engaging in negotiations aimed at resolving semiconductor disputes.

The committee recommended, however, without explanation, the formation of a "senior US government interagency committee to consider actions in trade policy to promote the competitiveness of the US semiconductor industry".

The US should also "investigate the effectiveness of trade sanctions currently in place to ensure Japan's compliance with the (1986 US-Japan) semiconductor agreement", while also calling for strengthening of anti-dumping laws.

The committee's latest recommendations are designed to avoid political controversy. The NACS made no mention, for example, of increasing funding for Sematech, the US semiconductor industry consortium.

Also notably missing from the report was the panel's earlier recommendation of government subsidy for an entity that would provide low-cost capital for US electronics companies.

"The proposal ... could not completely eliminate the capital cost advantages of foreign firms without a direct federal government subsidy.

As a result, the committee is not confident that the cost of capital ... would be low enough to stimulate a substantial new US presence in markets for high volume electronics," NACS said.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Berlin	S	5	41	Caracas	F	36	97	Faro	S	15	59	Islamabad	F	23	73
Algiers	F	15	59	Biarritz	S	17	63	Casablanca	C	16	61	Florence	S	15	59	Istanbul	S	11	52
Amsterdam	Fg	2	36	Bombay	S	30	86	Chicago	S	2	36	Frankfurt	S	4	39	Jakarta	R	31	88
Athens	R	12	54	Bordeaux	S	13	55	Cologne	S	11	52	Geneva	Fg	0	32	Jersey	C	7	45
Bahrain	-	–	–	Boulogne	C	5	41	Copenhagen	Dr	1	34	Gibraltar	S	17	63	Johannesburg	S	26	79
Bangkok	R	31	88	Brussels	S	7	45	Corfu	C	12	54	Glasgow	F	6	43	Lima	F	24	75
Barcelona	S	15	59	Budapest	S	3	37	Dallas	S	3	37	Helsinki	C	2	36	Lisbon	F	15	59
Beirut	-	–	–	Buenos Aires	-	–	–	Dublin	R	5	41	Hong Kong	C	15	59	London	Dr	6	43
Belfast	C	3	37	Cairo	S	23	73	Dubrovnik	S	15	59	Innsbruck	S	8	46	Los Angeles	Fg	12	54
Belgrade	C	6	43	Cape Town	C	22	72	Edinburgh	F	6	43	Inverness	S	6	43	Luxembourg	S	5	41

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	16	61	Milan	S	8	46	Nicosia	S	19	66	Salzburg	S	4	39	Tenerife	C	18	64
Madrid	C	10	50	Montreal	C	0	32	Oporto	C	11	52	San Francisco	S	9	48	Tokyo	F	10	50
Majorca	S	16	61	Moscow	C	0	32	Oslo	S	6	43	Seoul	F	-7	19	Toronto	C	2	36
Malaga	F	18	64	Munich	S	2	36	Paris	Fg	4	39	Singapore	F	30	86	Tunis	R	13	55
Malta	R	15	59	Nairobi	S	29	84	Peking	C	3	37	Stockholm	C	3	37	Valencia	F	16	61
Manchester	R	9	48	Naples	F	14	57	Prague	Fg	2	36	Strasbourg	S	7	45	Venice	F	11	52
Manila	F	30	86	Nassau	F	27	81	Reykjavik	F	1	34	Sydney	C	23	73	Vienna	F	-1	30
Melbourne	S	20	68	New Delhi	S	22	72	Rhodes	F	17	63	Taipei	C	14	57	Warsaw	S	2	36
Mexico City	F	25	77	New York	S	3	37	Rio de Janeiro	C	35	95	Tangier	F	14	57	Washington	S	4	39
Miami	S	21	70	Nice	S	14	57	Rome	F	17	63	Tel Aviv	-	–	–	Zurich	Fg	-1	30

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Buying in bulk at Sainsbury

British Land's Mr John Ritblat is a master of the bold gesture both in acquiring property and in funding his purchases. This is the man who has bought perhaps as much as £320m of real estate in the last 11 months, the lion's share of it in the traumatised retail sector, culminating in his purchase of 15 Sainsbury supermarkets yesterday. Perhaps he has proved that Tesco was wrong when it declared the sale-and-leaseback market effectively closed to food retailers and made its right issue. Or perhaps the matter is more complex.

Of course, yesterday's deal is clever and seems to suit both parties. Sainsbury is spending £750m a year on expansion, but has never been an enthusiastic issuer of new equity. As for British Land, it is financing the deal with a blend of convertible bonds and cash, meaning its effective cost of capital is 10.7 per cent. The supermarkets are already yielding 9.3 per cent just from their first year's rents. Bear in mind an element of guaranteed rent increases and the benefits to British Land seem evident, helping explain yesterday's 4 per cent rise in its shares.

But look at what Mr Ritblat is buying. Of the 15 supermarkets, the three youngest date from 1989. The oldest go back to 1981 (Orpington), and 1982 (Birkenhead). At some point, however well Sainsbury looks after its outlets, those two bogies of the commercial real estate world – depreciation and obsolescence – must make themselves felt. A property company like British Land, which has done its homework, may be able to take this in its stride. To more timid insurance company or pension fund investors contemplating a similar deal, the risks might seem less appealing.

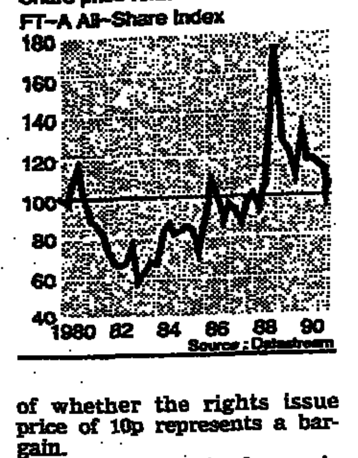
Saatchi

The relaunch of the Saatchi & Saatchi lifeboat does little to alter the odds on the company's survival. It does, however, change the gambling chips. Previously, risk-prone investors such as Lord Rothschild were drawn to the busted Euroconvertibles. The game is now to be played purely with the ordinary shares. The new reconstruction involves multiplying the equity base by a factor of 10, leaving the present owners with a mere 17 per cent. But some £60m of new equity is to be put in, while repayment of the company's £200m debt mountain is being put forward three years to January 1996. The question arises of whether the rights issue price of 10p represents a bargain.

One argument in favour is that the two chief investors in the Euroconvertible, Lord Rothschild and ESL Partners of the US, are prepared to play double or quits by underwriting £34m of the issue between them. This might be qualified by the reflection that the Rothschild camp originally stumped up par value for Euroconvertibles which were yesterday standing at a discount of 65 per cent. But it was never in doubt that the two chief Saatchi agencies are valuable commodities. The point could be approaching where they are respectable long-term investments as well.

Lonrho

Share price relative to the FT-A All-Share Index



Source: Datastream

Lonrho

The old saying that a picture is worth a thousand words is once more put to the test in Lonrho's annual report. Glossy images of elephants, ostriches and the Acapulco hotel – this year from a new angle – doubtless put readers in the right frame of mind to sift through the numbers. One figure which is not hard to find is the chief executive's salary. From the shareholder's point of view, the fact that he earns more in a day than the average Lonrho employee in a year is immaterial. It matters more that his salary has gone up by considerably more than earnings per share.

Nothing in the geographical and divisional breakdown of profits and turnover comes as a huge surprise, though the jump in African profits from 48 per cent to 63 per cent of the total looks stark in print. The £15m of unrelieved ACT is higher than some had expected, somewhat offsetting the lower than expected tax charge on mining operations. Capital expenditure, meanwhile, jumped from £220m to £365m. Given the size of capital commitments, this is bound to raise questions about cash flow in 1991. The recessionary climate is unlikely to place heavy demands on working capital, but much may depend on asset sales, which will scarcely be easy in these market conditions.

Rodium apart, falling metal prices and the doubtful outlook for hotels and motors point to another flat profits performance at best. But the slightly implausible story about a merger with Gencor, or at least closer co-operation, refuses to go away. The shares, moreover, have underperformed during the recent rally. The prospective yield of 10 per cent also retains its traditional place among the highest in the Footsie.

Pentland

The 10 per cent jump to 78p in Pentland's share price yesterday was an understandable response to a deal which appeared to have been killed by the Gulf crisis, but which has been rescued by Wall Street's appreciation of an improving performance at Reebok. All being well, Pentland will have £150m net cash by April plus a very attractive asset in its more manageable 13 per cent stake in Reebok, as well as an opportunity to make acquisitions in a buyer's market. Not bad considering its current market capitalisation of £280m.

The question is why the shares did not move even higher. After all, investors only have to think back to last September and Reebok's profits warning ahead of its dismal third quarter figures to remind themselves that they are very much better off with cash than with such a large minority holding in a US footware company. In addition to better dividends, they can now look forward to a Pentland putting the cash into exploiting the recently-acquired Speedo brand.

Put another way, Pentland's management faces the first sustained test of its abilities since the inspired decision to buy into Reebok in 1981. Therein lies the main explanation for the market's unwillingness to grant the shares a more generous rating. While Pentland's investment record has been respectable enough, the company has never had this much cash under its direct control. The key to the shares' performance will have less to do with the group's annual results in a few days' time than with the market's view of its investment skills in the 1990s.

RECRUITMENT

JOBS: Trendy schemes for involving employees seem to have counter-productive effects

Lessons on winning the workers' trust

WHEN an inner-city teacher set her young class to write about the police, she was appalled by the hostility the scripts revealed. One little boy's essay, in particular, consisted of the single word: "Bastards."

So she contacted the local constabulary who, regularly for the rest of term, sent representatives such as dogs and their handlers to acquaint the children with their role in society. The teacher then set another essay on the police. This time the little boy wrote two words: "Cunning bastards."

What brings that story to mind is a research report* about one of the latest managerial fashions. Called "employee involvement", it has led top executives all over the United States, Britain and the rest of Europe to festoon their outfits with joint management-shopfloor problem-solving committees and the like, in a bid to gain workers' trust in their managements.

The detailed objects of such top-down initiatives are manifold. Besides harder work and stronger loyalty, they are intended to induce employees to pass on to their bosses the peculiarly shopfloor wisdom that is crucial to quality of output. But the bottom-line aim is higher productivity, and that was the prime criterion used in the study of the employee involvement (or EI) vogue's success by three researchers from the US Carnegie Mellon University.

The trio – Maryellen Kelley, Bennett Harrison, and Lan Xue – concentrated on America's metal-working sector. But the 1,000 plants covered, belonging to companies of assorted sizes, made a wide variety of products ranging from motor vehicles to coffee-grinders. The gauge of efficiency used by the researchers was total production time per unit of output.

So what did the study show? Professor Harrison's summary goes as follows:

"We found that EI not only fails to help efficiency, but actually appears to hurt it. Among smaller companies (those with a single plant), the ones that had created employee participation committees were a quarter less efficient than those that had not taken the trouble.... Among the larger companies, plants that had such committees were 46 per cent less efficient than those that did not."

As it stands, of course, that result need not be a condemnation of employee-involvement schemes. It might be that the outfits with schemes were inefficient for some other reason before installing them, and would have been worse if they hadn't done so. But as the schemes were in use at no fewer than 70 per cent of the branch plants of bigger companies, the professor doubts that all of them could have been in previous difficulty.

Another, still more unexpected finding arose when the researchers divided the plants into four sub-groups. First came those which had neither EI schemes nor trade unions. The second had the schemes but no unions. The next had both. And the fourth had unions but *not* EI. "Efficiency was by far the greatest in the last case," states the report.

Now why that *should* be so, is something the researchers' hard findings cannot explain. It is a matter for conjecture. Even so, Bennett Harrison's hypothesis on the point has a ring of plausibility.

It is scarcely unknown, he suggests, for managers to work in what they see as their own self-interest. Hence in big companies particularly, they may have set up joint problem-solving committees and so on to act as bureaucratic devices for tightening managerial control. Not only that, but the shopfloor – being less stupid than is often supposed – may have come to see them as such.

In which case, the entire EI apparatus could well have the same effect on the workers as the police's public relations efforts had on the little boy at the inner-city school. As the professor points out:

"Without a strong union, such committees tend to offer solutions that enhance the power of managers at the expense of workers. The resulting deterioration of trust and demoralization of the workforce may be what saps productivity."

Which raises the question of what, if established employee involvement schemes are apt to be detrimental, can companies do to improve performance.

Bennett Harrison's answer seems to lie in trade unions, which he says "constitute an independent voice for workers" and "already perform many of the functions that EI was ostensibly invented to introduce." But having personally experienced as well as observed what British unions at least can do when the force is with them, I'd prefer to seek a solution elsewhere.

A good place to look – or, rather, look again more closely – might be Japan. After all, many of the involvement schemes set up by western businesses have been modelled on what their chiefs see as the collaborative devices underlying Japanese companies' success.

The trouble is that the western chiefs' vision seems to have been less than 20:20. For although I have never myself worked in a Japanese company, there is evidence that the said devices are more the symptoms than the causes of the co-operative productivity actually achieved. Anybody who doubts it need only read, for example, the report by James Lincoln and Arne Kalleberg on their study of 51 Japanese and 55 US businesses, which was published by Cambridge University Press last year.

One marked way in which the eastern companies differed from the American (and, to my eyes, from most European counterparts too) reaches down to fundamental beliefs about management's "rights". The Japanese typically subscribe to the *ringi* principle by which decision-making starts in the middle or lower managerial ranks. A relatively junior executive wanting something changed drafts a petition then steers it up the hierarchy, canvassing support for it at each successive stage.

That means the decisions are in fact worked out by consensus before being formally presented at top level. But even so, the official responsibility for making them falls entirely on the chief executive.

Lincoln and Kalleberg say that the process denotes a managerial attitude contrasting sharply with the one that prevails in the west. As occidental bosses see it, their prerogatives include not only the responsibility but also the power to decide what should be done. Their Japanese equivalents hold onto the responsibility – indeed, there is little delegation of authority in a formal sense – but in practice hand down much of the power to people with closer knowledge of the circumstances in which the decisions will take effect.

In short, Japan's bosses seem to *trust* their underlings – which, when it comes to generating trust in the reverse direction, may be far more effective than employee-involvement schemes, however cunningly contrived.

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**Technology Review, Massachusetts Institute of Technology, January 1991, p74.*

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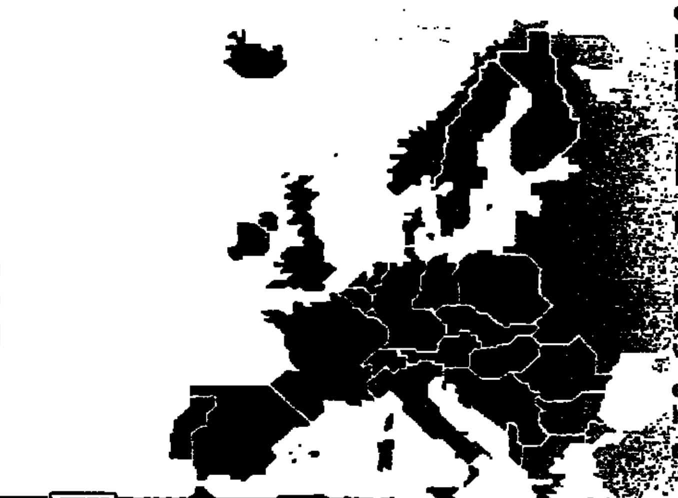

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ACCOUNTANCY COLUMN

Winners and losers redraw the audit map

By David Waller

IT IS not surprising that accountants like winning new audit appointments. Once the audit has been won, it is only under exceptional circumstances that it is likely to be lost. So with a new audit client comes a source of annuity income – and the promise of highly profitable consultancy work.

Over the past 18 months, there has been what in the accountancy world counts as a frenzy of audit changes. The catalyst for much of this activity was the rash of mergers between the big firms in 1989, which in many cases upset relations between accountants and their clients and prompted many companies to put their audits out to tender.

What follows is a catalogue of the major audit gains and losses experienced by the Big Six firms in the past 18 months. Each firm was asked to provide a list of client gains and losses, encompassing the UK and continental Europe. Unaccountably, there was a degree of reluctance to provide examples of losses.

Here are the results, presented firm by firm in alphabetical order:

● **Arthur Andersen.** New audit clients in the UK include: Inter Continental Hotels; Merchant Navy Officers Pension Fund; Ogilvy & Mather; European Home Products; Braithwaite; Yardley.

In Italy (where state regulations have brought about a mandatory change of auditors for many companies last year), the firm has won STET (the Italian telephone company) and CIR (the holding company for Carlo de Benedetti, the Italian entrepreneur), among a total of eight significant client gains. In Spain, it has won eight large clients, including the Thyssen Group. In Ireland, it won Aer Lingus, and in five other European countries picked up 12 large clients.

The firm said that its European fee income from tax, audit and business advisory services had risen by 60 per cent in the past two years; that it gained more than 300 new audit clients in the UK during the two-year period, and probably as many as 1,000 in Europe as a whole. Andersen provided no examples of audit losses.

● **Coopers & Lybrand Deloitte.** The merger with the UK arm of Deloitte, Haskins & Sells was the messiest of the 1980s, splitting Deloitte's international network asunder. Much of the rest of Deloitte joined with Touche Ross. Many multinational companies audited by Deloitte in the UK defected to what became DRT International, the merged Deloitte/Touche firm.

Major gains include: the worldwide audits of BET, Aquascutum, Royal Insurance, Pepe, Tate & Lyle Coates Viyella and Inchcape. The firm has also won the UK audits of the Hearst Corporation; the Krupp Group and Samsung, among others.

Major audit losses in 1990 include: Guardian Royal Exchange; the Prudential; Birmid Qualcast; General Motors; Merrill Lynch; Alexander Howden; Bowring; National Mutual; Dow Chemicals; Rolls Royce. GRE and the Pru were lost because of "rationalisation to one worldwide auditor"; Birmid and Rolls Royce in a competitive tender; the rest were former Deloitte clients which transferred to DRT.

MARKET SHARE

Auditor	No of Times 1000 companies*
KPMG	188
Price Waterhouse	159.5
Coopers & Lybrand Deloitte	179.5
Ernst & Young	127.5
Touche Ross	67
Arthur Andersen	65.5
Others	213

Source: KPMG Peat Marwick McLintock

**Times 1000 is drawn purely from industrial companies*

"The losses to DRT were all expected", Coopers says. "On balance, C&L were significantly ahead of target in terms of net growth in fee income directly attributable to the merger".

● **Ernst & Young.** This firm was formed when Arthur Young and Ernst & Whinney came together in the Spring of 1989.

E&Y has won the following audits: Blue Circle (from a medium-sized firm); Pearl Insurance also from a medium-sized firm); it has won the sole audit of United Biscuits (formerly audited jointly with Deloitte) and picked up Sketchley from KPMG Peat Marwick McLintock.

It has lost the audit of the LEP Group, Cray Electronics and Scottish Widows; its 20 per cent share of the National Westminster Bank audit; its audit of Pepsi. Elwyn Eilledge, senior partner, reflects that not all the gains and losses were due to mergers but that the loss of Pepsi was. The merged group emerged as auditor to both Pepsi and Coca-Cola and being told by the latter to make a choice, opted to stay with Coca-Cola.

● **KPMG Peat Marwick McLintock.** In confident mood, the firm says that it is the UK's leading auditor of blue-chip companies, auditing 19 per cent of the Times 1000 Industrial companies, against 18 per cent audited by Cooper, 16 by Price Waterhouse, and 13 per cent by Ernst & Young.

Among audit gains are: Rolls Royce (from Coopers); Motorola (from Andersen); the Daily Telegraph (from Coopers); Pepsico (from Ernst & Young); Pizza Hut (from Arthur Young); Hambro Countryside (from PW); Cable & Wireless (from Coopers); M&G (from Spicer & Oppenheim). It has also recently been appointed sole auditor to the National Westminster Bank, where it previously looked after 60 per cent of the audit.

The firm gave no details of audit losses.

● **Price Waterhouse.** Having refrained from making a merger with Andersen, PW has done well in the last 18 months. It gained the Pru, GRE and Scottish Widows; it picked up Christian Salvesen from Coopers; the Civil Aviation Authority from E&Y; ASD, the Leeds-based steel stock-holder, from Peats; Aegis and Astra Holdings, two clients from the troubled Stoy Hayward; Rutland Trust (from Peats); Higgs & Hill, from a small firm.

In Continental Europe, the firm has won: Fiat; Alitalia; Roche (the Swiss pharmaceuticals company); Baltica; Carslberg; Banesto (in Spain); and bank of Ireland and Hibernian Insurance in Ireland.

Mr Bob Sandry, PW's marketing partner, could think of no major audit losses.

● **Touche Ross.** The firm claimed that one of the reasons for its merger with Spicer & Oppenheim was because it needed extra manpower to deal with the influx of new clients gained as a result of the international merger with Deloitte. It certainly has won large numbers of new clients, including: Alexander & Alexander; Bridgestone Tyre; Bull; Dow Chemical; General Motors; Kimberly-Clark; LEP; Marsh & McLennan; Merrill Lynch; Mitsui; Nissan; Procter & Gamble; Rockwell International; Kleinwort Benson.

Touche's share of the audits of Times 1000 companies remains low, at 6.7 per cent – but the firm is hardly complaining that the influx of new business in the UK largely originates from the US.

It is unlikely that so many audits will change hands in any 18-month period every again. The clear beneficiaries of this bout of audit appointments are (in alphabetical order): KPMG Peat Marwick, Price Waterhouse, and Touche Ross. Coopers has won some major clients, but this has been balanced by the exodus of former Deloitte clients. Ernst & Young has not done badly – it just has not done well when there were many large audits up for grabs.

Andersen has missed out on the chance to acquire what it has always badly needed – audits of large, blue-chip UK companies. The firm has however done well on the Continent.

ACCOUNTANCY APPOINTMENTS

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EUROPE 1993
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The Financial Times proposes to publish the Chartered Accountant's examination results on Thursday 28 February 1991.

For further information please call Richard Jones on 071-873 3460

FINANCIAL TIMES
COMPANIES & MARKETS
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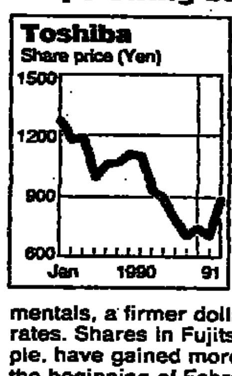
INSIDE

Qatar signs huge gas contract

The Gulf state of Qatar will today sign the first major contract to supply natural gas from its North Dome field to a Japanese electricity company, paving the way for the development of this huge offshore gas deposit. The contract provides for Chubu Electrical Power, the Japanese utility, to buy 4m tonnes a year of liquefied natural gas for 25 years in a deal that oil analysts estimate could be worth $630m a year. Page 24

Chips swing back in Tokyo

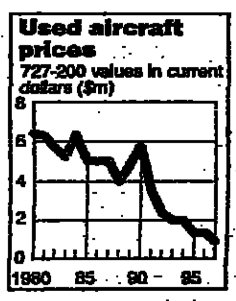


Six months ago there were too many micro-chips in the world, demand was sluggish, and electronics shares on the Tokyo stock exchange were in the doldrums. Now, however, there's every sign of an upturn. Business confidence in the Japanese electronics sector is picking up with forecasts of stronger fundamentals, a firmer dollar and lower interest rates. Shares in Fujitsu and Toshiba, for example, have gained more than 18 per cent since the beginning of February. Page 36

Echo and the Brummy men

It is being hailed as the world's most acoustically sophisticated concert hall. This April, Simon Rattle (left) will lift his baton and The City of Birmingham Symphony Orchestra will play in its new home for the first time. The hall, at the International Convention Centre in Birmingham, bears a strong resemblance to the Morton H. Myerson Symphony Centre in Dallas, its immediate predecessor in terms of modernity. Paul Cheeseright looks at the technology involved. Page 20

Aircraft financing in a tailspin



The collapse in airline passenger traffic is not just bad news for airlines. Its effects have already percolated through to aircraft leasing companies and those banks that lent to finance aircraft purchases. Many institutions are now left with a significant potential exposure to the volatile second-hand market for airliners at a time when demand for used aircraft is slipping and second-hand prices are falling. Stephen Fidler reports. Page 20

Hurt in the first round

South Africa's new code for takeovers and mergers came into effect at the beginning of this month – and it could not have had a worse start. The panel that administers the new code has been caught up in the battle raging for control of the Allied building society group. Bids for Allied were launched before the panel was granted regulatory powers and a legal dispute has developed over which aspects of the takeover battle fall within the code. Philip Gawith reports. Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Geophysique	635	+	34
Rises				Paribas	476	+	14.9
Altana Ind	529	+	14.5	Sp Batignolles	575	+	20
Col Versich Pf	715	+	40	**Falls**			
Deckel (Fr)	155	+	14	Cred Lyon (CI)	635	–	12
Mannheim Vers	870	+	11	Localrance	430	–	10
Rosenthal	313.5	+	11.5	**TOKYO (Yen)**			
Falls				**Rises**			
Wella Pref	733	–	15.5	Meiji Milk	795	+	70
NEW YORK ($)				Nissan Sugar	1160	+	175
Rises				Silver Seiko	610	+	55
Philip Morris	66⅞	+	2⅞	Tokyo Denki	1850	+	160
NCR	92⅜	+	1	**Falls**			
Falls				Meiji Shipping	1340	–	150
Champion	26⅞	–	2⅞	Nippon Carbs	1040	–	170
Dresser Inds	21⅝	–	1				
PARIS (FFr)							
Rises							
Accor	773	+	11				

New York prices as at 12.30pm.

LONDON (Pence)				Mersey Docks	181	+	13
Rises				More O'Ferrall	183	+	19
Alumasc	238	+	21	Pentland	78	+	8
Ashtead	115	+	20	Rank Orgsn.	719	+	30
BET	137	+	7	Reliance Sec.	185	+	23
Business Tech.	82	+	8	Ward Hldgs.	76	+	6
Cambridge El.	165	+	15	Wilkes (J)	124	+	16
Century Oils	104	+	10	**Falls**			
Conroy Pet.	83	+	8	Channel Tunnel	41	–	12
Danbury	54	+	11	Saatchi	16¾	–	10¼
Edbro	113	+	15	WPP	61	–	7
Fairey	213	+	20				
Gt. Portland	247	+	11				
McAlpine (A)	240	+	19				

UBS president Robert Studer: The Swiss bank bought "an important building block"

US bank sees $100m net gain from sale to Swiss

UBS acquires assets business from Chase

By Nikki Tait in New York and William Dullforce in Geneva

CHASE MANHATTAN, the second largest commercial bank in the US, is selling its institutional asset management business to Union Bank of Switzerland, the largest Swiss bank. No price was disclosed, but Chase said it would show a net gain of around $100m from the transaction.

Chase, which has been seeking to bolster its capital after announcing extensive cost-cutting moves last year, was known to have put the unit, Chase Investors Management Corporation, on the market. According to UBS, the US bank first approached a small number of potential buyers last autumn.

Rumours of UBS's interest have been circulating on Wall Street. The Swiss bank said yesterday that the acquisition of Chase Investors was "an important building block" for its global asset management strategy. Chase Investors manages assets of around $30bn, and this will virtually double UBS's assets under management outside its Swiss home base.

Although few analysts were willing to make estimates of the price that Chase extracted, the initial reaction to the net gain of $100m, which the bank expects to report "within several months", was fairly sensible. "That looks mildly positive," said Mr Norman Jaffe, analyst at Fox-Pitt Kelton.

Chase shares rose ⅛ to $14½ on the news.

Chase Investors has operated as a subsidiary of Chase Manhattan for almost two decades. Its customers range from public to private corporations, as well as state and overseas clients. They include American Telephone & Telegraph, Chrysler, Nippon Life, Princeton University and the State of Illinois Retirement Service. It is reckoned to be one of the largest remaining bank money-management arms. Based in New York, it has affiliated offices in London and Tokyo. Its profits are not disclosed.

UBS said it planned to retain key management, and that Chase Investors' 170 employees would move with the unit.

The deal continues the trend among the large US commercial banks to pull out from institutional asset management. Analysts point out that, when there is a general need to bolster capital, these operations are usually fairly self-contained and therefore easily detachable.

UBS said the takeover was the result of an intensive search for a first-rate institutional asset management company specialising in the US market.

The move would make UBS one of the largest asset management companies in the US and close the gap in its global strategy, enabling it to offer institutional clients services tailored to all the big markets.

In London the Swiss bank owns UBS Asset Management (UK), formerly part of Phillips and Drew, which is a bigger operation than that being acquired from Chase Manhattan in New York. In Tokyo it established UBS Trust and Banking Company, a much smaller business, in 1986.

If the US Federal Reserve Board approves the takeover, Chase Investors Management will be renamed UBS Asset Management, New York, and come under the control of UBS's regional management for North America.

Asset management is a speciality of Swiss banks, which are estimated to have roughly SFr1,800bn ($1,406bn) of assets under control. Most of that sum consists of funds from private investors but all the big Swiss banks have been trying to exploit their management know-how to win institutional business.

City braced for season of shocks and surprises

With many UK companies about to report 1990 results, attention will focus on dividends, writes Maggie Urry

Investors could be in for some nasty shocks over the next few weeks. Companies making up the bulk of the UK stock market by value will be reporting their annual results, and the City of London is bracing itself for some bad news. The shocks will be coming less from headline profit figures than from the dividend line.

Profit forecasts for 1990 have been coming down all through the year and by now should be fairly accurate – particularly as companies have made efforts to keep analysts' predictions realistic, even if that has needed a formal profit warning in some cases. That information should already have been taken into account by share prices.

It is widely thought by stockbrokers' strategists that earnings for 1990 will be down by a few percentage points. The second half of 1990 will bear the marks of the UK economy's slide into recession, as well as high interest rates and the effect of the strong pound on export margins and the translation of overseas profits.

However, Mr Richard Kersley, strategist at Barclays de Zoete Wedd, says the results season may cause analysts to cut 1991 forecasts. Currently, he says, the aggregation of BZW analysts' forecasts for individual companies shows a 7 per cent earnings rise in 1991, while strategists working from broad economic trends predict a 5 per cent fall.

While earnings forecasts for 1990 should by now be fairly accurate, those for dividends are more likely to be wrong. Both analysts and strategists still expect dividends to rise, although generally not by as much as the rate of inflation for the year.

Quoted UK, the notional company run by Hoare Govett, the stockbroker, which gives an approximate aggregate of the results of all quoted companies, this week suggested that earnings per share from the market would be 6 per cent lower in 1990 but that dividends would be 6 per cent higher. This would mean, on Hoare Govett's calculations, that dividend cover would fall from 2.3 times to 2 times.

Inevitably, there will be some companies with a level of dividend cover much lower than this average. In any case, as brokers are beginning to point out, dividend cover tells only by how many times net profits exceed the dividend payment not by what amount dividends are covered by cash generated from the business. With a cash squeeze on companies, not increasing or even cutting the dividend is one way to conserve what they have.

It may not be more than a few days before the first cuts come. The bank reporting season begins today with Lloyds' results, and as the other clearers follow there is the possibility that one or more will cut its dividend. Similarly, some of the largest composite insurance companies are reporting next week, and will have sorry tales to tell.

Perhaps the result most cautiously awaited will be ICI's figures next Thursday. Last summer, the chemicals group surprised the market by not increasing its interim dividend. It is widely remembered that it was exactly 10 years ago, in the depths of the last recession, that ICI cut its final dividend.

This time round the group is expected to maintain the final payout. But the ICI chairman's statement, and those from many other captains of industry, will be picked over for clues as to the state of the economy.

More important than profits, says Mr Mark Brown, UK strategist at UBS Phillips & Drew, will be the dividend signals. If companies can justify an increase by saying that they can already see signs that the slump in demand has bottomed, and the economy will turn up in the next few months, then the market can take a more optimistic view.

However, if chairmen's statements and their dividend recommendations suggest that the recession is still deepening, then the market will have cause to be more worried than it is.

The question of dividend rises may be particularly sensitive when companies are being urged to constrain wage settlements, and many will be announcing large-scale redundancies. With economists forecasting a rising unemployment in 1991, the corporate sector can be expected to bear much of the cost.

Costs related to redundancies and corporate restructurings are likely to be another feature of this reporting season. There may be an element of companies trying to take the gloomiest possible view of their figures for 1990 – when they will not stand out from the crowd – so that the 1991 results will look better when they come.

The truth behind the figures may be harder than usual to discern as losses, closures, asset sales, provisions made or released, and such items obscure the picture. Changes in depreciation policy can also disguise the true trend in profits.

Mr Richard Hannah, of UBS P&D, urges investors to watch out when companies change the way they present divisional profit breakdowns which may hide problem areas, or if they shift assets from the current to fixed category in the balance sheet which could be a way to avoid writing down development properties for instance.

Mr Simon Clegg, head of UK equity research at Hoare Govett warns that the new accounting standard for treating pension funds could hit the profits reported by a number of large companies.

Whatever the other influences on the stock market over the next few weeks, corporate trading statements are likely to weigh heavily on sentiment. The only consolation might be that this is the dark before the dawn.

Sector preview, Page 19

Hillsdown Holdings widens Canada Packers shake-up

By Bernard Simon in Toronto

HILLSDOWN HOLDINGS, the UK food group, is broadening its shake-up of Canada Packers with plans to restructure the Toronto-based food processor's core fresh meat business.

Canada Packers, in which Hillsdown bought a 56 per cent stake last July, has put its western Canadian beef operations up for sale. It is also discussing a joint distribution venture with a competitor and has bought an Ontario pork processing and processed meats company.

These measures will end Canada Packers' involvement in beef slaughtering and focus its fresh meat activities on pork – which has the attraction of an active cross-border trade with the US. It will now buy beef for its processed meats from other sources, including foreign suppliers.

To date, Hillsdown has sold Canada Packers' cheese and peanut butter businesses, rationalised its bakery and flour interests, and put a corporate restructuring in place. Much of Canada Packers' senior management has been replaced since the takeover.

Canada Packers said that the scale of losses at its four unprofitable beef slaughtering and packing plants in Alberta and Saskatchewan has become "unacceptable". The business has suffered from intense competition due mainly to over-capacity in the western Canadian fresh meat industry.

The study of a joint distribution venture with JM Schneider of Kitchener, Ontario, is designed to cut costs through economies of scale. The companies said they will continue to process and market their products separately.

The study is expected to be completed within three months, but a joint venture will require the approval of Canada's competition watchdog.

Canada Packers hopes to match the efficiency of US pork processors with the acquisition of F W Fearman of Burlington, Ontario. The purchase price is a minimum of C$14m (US$12.1m) payable over five years.

The acquisition will give Canada Packers a number of extra brand-names and expand its pork processing and processed meats business by a third to reach annual sales of roughly C$700m. The integration of Fearman will, it is claimed, give it a sharper edge in the North American pork market.

Total's profits jump to FFr4bn

By George Graham in Paris

TOTAL, the French state-controlled oil group, yesterday unveiled a jump in profits for 1990 to FFr4bn ($785.8m), in spite of the turmoil in the world oil market.

The figures reflect a significant change in accounting practice, with Total shifting from accounting for stocks on a first-in, first-out basis (Fifo), to a method that accounts for stocks at their replacement cost. Most other international oil companies prefer the replacement value method.

The Fifo method – also known as historic cost accounting – often produced wild swings in Total's results in line with variations in oil prices, ranging from an apparent loss of FFr7.5bn in 1986 to an apparent gain of FFr1.6bn in 1989.

Total said that its 1990 earnings represented a 121 per cent improvement on the FFr1.9bn it would have recorded in 1989 using the new replacement value accounting method.

"The new method has the advantage of extracting the effect of stock shifts. It was now or never to tidy up our accounting presentation," said Mr Serge Tchuruk, Total chairman.

Gross cash flow rose 12 per cent to FFr11.3bn, though on a comparable accounting basis the rise would have been 33 per cent.

Operating profits were estimated at nearly FFr8.5bn, with increases in earnings not only from the main production and refining divisions, which between them account for 70 per cent of operating income, but also from the group's trading, chemicals and financial activities.

Total's capital investments more than doubled last year to FFr19.5bn, partly because of the acquisition of some of the chemical companies of Orkem, the state-owned group that was split up between Total and Elf Aquitaine, the other main French oil concern.

Investments also included FFr6bn spent on oil exploration and production, with the acquisition of new reserves and the development of new gas production facilities in Indonesia, Norway, Argentina and the Soviet Union.

The group has teamed up with Petrofina of Italy and Repsol of Spain, and has signed a deal with the Soviet Union for the development of petroleum reserves in the Komi republic. Production is expected to begin by December.

However, Mr Tchuruk warned that Total could not continue indefinitely with the rapid expansion of reserves it has undertaken over the past five years.

INTERNATIONAL COMPANIES AND FINANCE

Swedish insurance group falls by 92%

By Robert Taylor in Stockholm

TRYGG-HANSA SPP, the recently-formed Swedish insurance conglomerate and the largest in Scandinavia, yesterday reported a 92 per cent drop in its operating profit during 1990 with a fall to SKr60m ($10.76m) from SKr761m.

However, the profits from its insurance activities rose by 31 per cent to SKr640m from SKr488m and its premium income went up by 13 per cent to SKr6.46bn from SKr5.71bn.

The group blamed the sharp decline in its group profits on losses suffered from its stock and bond portfolio due to high interest rates and a sharp decline on the capital markets in the autumn triggered by the Gulf crisis. The value of the group's market portfolio at the end of the year totalled SKr6.65bn compared with SKr7.983bn in 1989.

The board proposes to make a dividend of SKr4 a share, the same as last year.

The growth in profits from the insurance business has continued for three consecutive years with a good growth in premium volume.

The actual number of insurance claims fell mainly due to a drop in the number of accidents among policy holders although the average payment per claim increased. The loss ratio – the ratio of claims incurred to premiums earned – improved "only marginally," said the company.

Lufthansa plans short-time working

LUFTHANSA, the 51 per cent state-owned German airline, is considering introducing short-time working from the beginning of next month as the effects of the Gulf crisis bite deep into its earnings, writes Katharine Campbell in Frankfurt.

While bookings have improved slightly in recent days as some companies have relaxed their bans on employee travel, the airline says the numbers of seats sold remains well below last year's levels.

Warrington provision hits Alfred McAlpine result

By Andrew Taylor, Construction Correspondent

A STRING of poor results from UK construction companies continued yesterday with large profit falls announced by Alfred McAlpine and Ward Holdings.

Warringtons, a commercial property in which Alfred McAlpine has a 37 per cent stake, also revealed it was in talks with shareholders and bankers with a view to refinancing its business. Shares of Warrington, which stood at 89p a year ago, yesterday fell 2p to 7p.

Alfred McAlpine said it made a below-the-line provision of £20m ($39m) against its investment in Warrington.

Mr Graeme Odgers, McAlpine chief executive, when asked if McAlpine would support a refinancing of Warringtons, said: "We would not put a further penny into any business unless it is clearly to our financial advantage to do so."

He had previously voiced concern at McAlpine's investment in Warringtons, which was made before he became chief executive last June.

McAlpine shares rose 19p to 240p despite news that the group was halving its final dividend following a 61 per cent fall in pre-tax profits for year to the end of October 1990.

The group also announced total provisions of £39.4m, including the £20m against its Warrington investment, all taken below the line. The other provisions were to cover falling land prices and the cost of closing businesses.

The stock market, however, was encouraged by Mr Odgers' comments that results should improve in the current year even though trading conditions in housebuilding and contracting would remain difficult.

Most UK construction companies do not expect the housing market to recover until the second half of 1990. They say concern over the recession and rising unemployment have dampened confidence among potential house buyers despite the recent fall in interest rates.

Ward Holdings, a housebuilder, commercial property developer and plant hire group, yesterday announced that pretax profits fell 45 per cent from £7.22m to £3.93m for the 12 months to the end of October. Ward's share price rose 5p to 76p.

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Daimler Benz forecasts growth

By Katharine Campbell in Frankfurt

PROFITS at Daimler Benz, Germany's largest industrial conglomerate, will exceed last year's figures, and the core automotive business will again contribute the bulk of the earnings.

The company is, however, stressing ever louder the adverse effects of the strong D-Mark on its overseas business.

Net profit in 1989 was DM1.7bn ($1.13bn), excluding special factors involving a change to more internationally compatible accounting standards. At the nine-month stage last year, the group returned after-tax earnings of DM1.32bn.

Daimler made no forecasts at all for 1991 in its interim shareholders report because of the prevailing uncertainties for the world business community.

Group sales rose last year to around DM86bn, a rise of 5.7 per cent. But the growth was contributed almost entirely by EC business, which amounted to DM37.1bn, a 12 per cent increase. Outside the EC, a weak dollar and yen meant that overseas sales, at DM48.8bn, edged up just 0.2 per cent.

Mercedes-Benz still accounts for over two-thirds of worldwide sales, with AEG, the electronics operation, and DASA, the aerospace unit, each contributing 15 per cent and Debis, the newly-formed services company, 3 per cent. AEG was still making losses last year, although Debis would turn in a profit, the company said.

Despite the overall slowdown in the world car market, Mercedes Benz sales increased 6 per cent to DM59.7bn, largely through cars, but commercial vehicles recorded a 3 per cent increase.

In west Germany, Mercedes sold 245,600 cars against 247,100 in 1989, despite adverse tax effects on company cars. Sales to Japan, where Mercedes proved the most popular German import, leapt 23 per cent to 38,700 units.

Meanwhile, much of the rest of the group struggles. Orders at the loss-making AEG were higher at DM14.2bn after DM13.89bn, but that was entirely due to domestic business.

Navistar loses $38m in first quarter

NAVISTAR International, the largest US truck manufacturer, yesterday extended its first-quarter loss to $38m, or 18 cents a share, from $18m, or 10 cents, a year ago, writes Karen Zagor in New York.

It said, however, that it expected its deficit to narrow substantially in the second quarter in spite of expectations of continuing depressed demand for medium and heavy trucks.

Navistar, previously International Harvester before it sold its agricultural machinery operations, said its first-quarter results reflect the continuing decline in demand for medium and heavy trucks and mid-range diesel engines.

Increased costs could not be offset fully through pricing and cost cutting. The company had sales of $842m in the latest quarter compared with $886m in 1990.

Navistar's share of the medium and heavy truck market grew to 26.3 per cent in the 1991 quarter from 24.6 per cent a year earlier. Industry retail demand in North America for medium and heavy duty trucks fell 14 per cent to 58,300 units.

British Land in £135m Sainsbury stores deal

By Vanessa Houlder, Property Correspondent, and **John Thornhill** in London

BRITISH Land, the property company led by Mr John Ritblat, yesterday announced a £135m ($263m) acquisition of 15 stores from J. Sainsbury, the food retailer. The purchase is being partly financed a £78.75m bond placing.

The deal takes the form of a sale and leaseback agreement, under which Sainsbury has agreed to lease the stores back from British Land for a period of 35 years. It is the third deal of this type signed by the two companies and brings the number of Sainsbury supermarkets owned by British Land to 48.

The sale has attracted particular interest because last month Tesco, the rival grocery chain, claimed the sale and lease-back market for superstores was highly unattractive at present.

The terms of yesterday's deal were not fully disclosed, but shareholders in British Land reacted favourably, pushing the share price up 13p to 307p. Sainsbury's share price rose 6p to 334p.

The deal, based on an initial yield of 9.25 per cent, is believed to have a guaranteed rental growth of 7 per cent per year for the first five years and a further guaranteed growth in the next five years.

Mr David Shriver, food retailing analyst at County NatWest, said: "The yield is a little bit disappointing but it is still a useful deal for Sainsbury and suggests that the market is not as dead as Tesco would have us believe."

Mr John Ritblat, chairman, said: "We are very pleased with this further purchase of a well-spread portfolio of Sainsbury's supermarkets, coupled with the [bond] issue which we believe serve the dual objectives of providing future growth in shareholders' funds and an immediate enhancement of the balance sheet."

British Land is paying £56.25m in cash from its own resources. The remainder is coming from a placing of £78.75m 8.625 per cent convertible capital bonds.

Saatchi plans £55m rights issue as part of refinancing

By Alice Rawsthorn in London

SAATCHI & SAATCHI, the advertising group fighting for survival, yesterday ended weeks of intricate negotiations with its banks and shareholders by announcing revised proposals for its financial rescue package.

The proposals include Saatchi raising £55m ($106.7m) from a rights issue and £4m from an offer to management personally underwritten by Mr Robert Louis-Dreyfus, group chief executive, who will also subscribe for £1m in shares. The Saatchi brothers, Charles and Maurice, will take up their rights at a cost of £610,000.

Saatchi also intends to ask its banks to increase its facilities by £30m. Mr Louis-Dreyfus said the new proposals would put "the group's finances on a much stronger footing". Saatchi's shares fell from 27p to 16¾p yesterday.

Under the proposals, all existing preference shareholders will swap their stock for new ordinary shares. Saatchi is offering seven new ordinaries for every two Europreference shares, and 13 new ordinaries for every 10 UK preference shares. This means existing ordinary shareholders will see their stakes diluted down to roughly 17 per cent of the enlarged equity before the rights issue.

The two largest Europreference holders – Lord Rothschild, the London financier, and ESL Partners, a Texan finance house – will become the biggest single shareholders in Saatchi, with at least 12.5 and 10 per cent respectively of the enlarged equity.

However, their eventual holdings may be higher, given that they are lead underwriters for the rights issue, which will offer seven new shares at 10p for every 12 ordinary shares. ESL is underwriting £17.5m of the issue with St James Capital, a Rothschild fund, underwriting £16m. SG Warburg, the London merchant bank advising Saatchi, has organised the rest of the underwriting.

Saatchi's first set of refinancing proposals met with fierce criticism from its investors.

Unidanmark registers deficit

By Hilary Barnes in Copenhagen

UNIDANMARK, the Danish banking group, reported a DKr1.09bn ($190m) loss in 1990, which was the first year after the group was formed by the merger of Privatbanken, SDS and Andelsbanken.

The bank's plunge into the red was caused by a doubling of loan loss provisions from DKr1.7bn to DKr3.5bn, or 1.9 per cent of outstanding loans and guarantees at the end of the year. Accumulated provisions are now DKr7.3bn, or about 4 per cent of advances and guarantees.

The bank blamed the economic downturn in Denmark and abroad for the unexpectedly large increase in provisions. Mr Sten Rasborg, group chief executive, said provisions on corporate customers had risen steeply, while those for loans to private customers had stabilised.

A DKr255m provision was made to cover engagements with Northern Feather, the listed bedding and textiles group, which crashed at the end of last year.

A 10 per cent dividend was proposed despite the big loss. The payment is in line with those paid by the merging banks on 1989 profits.

Unidanmark's capital base remains extremely strong at about 11 per cent as calculated under the new BIS capital adequacy rules. An improvement in the group's performance is expected in 1991. "The goal of a post-tax return on equity of 10 per cent is within reach," the bank said.

The merger, it added, had been fast and efficient and the financial advantages would materialise in 1991. Group staff was cut by 2.8 per cent to 12,940 and 36 branches were closed. Within the next two years the total number of branches will be cut through mergers from 697 to about 500.

Profits before provisions were up by 5 per cent to DKr3.62bn, while profits before extraordinary items and the value adjustment for securities were down from DKr1.22bn to DKr521m. The value adjustment gave a negative figure of DKr381m and extraordinary items were a negative DKr233m.

Total assets over the year increased from DKr295.8bn to DKr318.7bn.

Polly Peck's Vestel well ahead

By John Murray Brown in Ankara

VESTEL, the Turkish consumer electronics subsidiary of Polly Peck International, yesterday reported a jump in its profits during 1990.

Pre-tax profits, which take no account of Turkey's 60 per cent inflation rate in 1990, soared from TL42bn ($18m) to TL167bn in the year to December.

The company, which is Turkey's largest producer of both televisions and videos with a market share of more than 30 per cent, is widely considered one of the strongest of Polly Peck's Turkish subsidiaries. Gross sales doubled during the year to reach TL851bn.

During the year, 18 per cent of the company's equity was sold on the Istanbul stock exchange, raising £30m ($58m). On the Istanbul stock exchange yesterday, Vestel's shares fell slightly to TL8,700, compared with a low of TL4,200 in November, and for months its shares have been languishing at levels are far below their peak of TL14,000 last summer.

Varity to reduce workforce by 5% as demand falls

By Bernard Simon in Toronto

VARITY, whose products include Massey-Ferguson tractors and Perkins diesel engines, is cutting between 800 and 1,000 jobs, equal to 5 per cent of its worldwide workforce. The move is in response to weakening demand in its farm equipment, diesel engine and automotive parts operations.

Varity, based in Toronto, said business conditions deteriorated towards the end of last year. It said a loss was likely in the three months to April 30, after 14 consecutive quarters in the black.

The third main leg of Varity's business is Kelsey-Hayes, the US maker of aluminium wheels and brake systems which the company bought at the end of 1989.

Besides the job cuts, Varity said it was adjusting to the downturn by trimming production schedules and inventories.

The company plans to take a US$18m to $20m restructuring charge in the fourth quarter, which ended on January 31.

Mr Victor Rice, chairman, said that despite the charge, earnings for the fiscal year were "somewhat better" than target and would exceed the previous year's income of $92m. Details of fiscal 1990 earnings will be released on March 14.

He said the company came close last year to its goal of trimming long-term debt by $125m to $150m. Capital investment in 1991 will not be affected by the latest belt-tightening measures.

Varity suffered losses of close to $1bn in the early 1980s, when the bottom fell out of its traditional farm equipment market. The company has survived with the help of three rescue packages and has subsequently diversified its business, notably with the Kelsey-Hayes purchase. Tractors and other farm machinery now contribute only about one third of revenues.

Nucor to build $300m steel mill in Arkansas

By Martin Dickson in New York

NUCOR, the fast-growing US steel manufacturer, has announced plans to spend $300m on a new mill to make hot-rolled sheet steel in Hickman, Arkansas.

The plant will employ 400 to 500 people and have a capacity of 1m tons a year, boosting Nucor's total capacity to about 6m tons annually.

Nucor is the most prominent of the mini mills which have been snatching market share from the large integrated US manufacturers. The mills enjoy substantial cost advantages because they make steel quickly from molten scrap, rather than through the complicated process using ore and coke, which the integrated companies employ.

Nucor said the new mill would employ the same thin slab process used at its Crawfordsville plant in Indiana. The Indiana plant, opened in 1989, was the company's last big capital investment.

It was the first new wide-strip mill in the US in about three decades.

NCR launches Esop to fend off bid

By Karen Zagor in New York

NCR, the Ohio computer company that is the target of a $90-a-share – or $6.1bn – hostile takeover bid from American Telephone & Telegraph (AT&T), yesterday announced two defensive measures and moved the date of its special and annual shareholders' meeting to March 28.

NCR adopted a standard anti-takeover device in the form of a $500m employee stock ownership plan (Esop) which will place about 8 per cent of the company's equity in employees' hands.

The NCR Esop will own a new issue of preferred stock, convertible into about 8 per cent of the company's common stock.

In addition, NCR added a special dividend of $1 and increased its regular quarterly dividend to 37 cents a share from 35 cents.

Mr Charles Exley, NCR's chairman and chief executive, said: "During the period in which we are unable to continue the share repurchase programme, special dividends will be the alternative way for us to continue returning to our shareholders cash that is surplus to the requirements of the business."

The AT&T takeover attempt has prevented NCR from continuing its stock repurchase programme.

AT&T said yesterday it would press forward in its effort to acquire NCR in spite of the Esop.

NCR, which has said that a price of $125 a share would be more appropriate, has already taken some steps to fight the AT&T bid, including a poison-pill anti-takeover defence and a challenge to the merger law in Maryland, the US state where NCR is incorporated.

Although the NCR move may delay AT&T's plan, most Wall Street analysts believe AT&T will eventually be successful.

Shares in NCR rose $1 to $92⅞ before the close in New York yesterday.

Nat-Ned hits back at merger competitor

By Ronald van de Krol in Amsterdam

NATIONALE-Nederlanden, the largest Dutch insurance group, claimed yesterday that an unusual newspaper advertising campaign aimed at blocking its merger with NMB Postbank reflected the motives of a "major competitor".

Although no names were mentioned, Nat-Ned's statement is believed to refer to Aegon, the second-ranked Dutch insurer which has built up a 10 per cent stake in Nat-Ned in an attempt to scupper the NMB Postbank link-up.

Nat-Ned's assertion, made in a letter to go to all its shareholders, is its first direct response to an unprecedented newspaper advertising campaign by the VEB, the Dutch shareholders' lobbying group, which is seeking an improvement in the merger terms.

The letter-writing campaign and the newspaper advertisements highlight the increasing bitterness of the battle between opponents and proponents of the merger, the first full-scale tie-up between a Dutch bank and an insurer.

Square D poised to reject offer

By Barbara Durr in Chicago

SQUARE D, the Palatine, Illinois, manufacturer of electrical equipment, yesterday appeared to be positioning itself to reject the unsolicited $1.9bn merger proposal from France's Schneider, another electrical products maker.

It said the offer was testimony to Square D's bright prospects and strong performance. However, it repeated its initial response to the proposal, saying an alliance had already been rejected by the board in September, though the merger bid would be considered "in due course".

Schneider, which could launch a hostile takeover bid if the offer is rejected, has requested a reply by March 1. It proposes to pay $78 a share, or a total of $1.9bn.

Mr Jerre Stead, Square D chairman, defended his company against charges by Schneider that Square D's shareholders would be more assured of gain with the merger than with its future progress as an independent company.

He said the company had been transformed during the last three years, and was on a "clear path of revenue and profit growth".

After some lacklustre years, Square D's net earnings last year were $120.7m, or $4.94 a share, on sales of $1.65bn. It has gained market share across most of its product lines.

Square D's shares shot up on Wednesday by $20¼ to $72¼ on news of the merger bid. They rose again during yesterday morning's trading, to $74⅝.

Whirlpool considers joint venture stake

WHIRLPOOL, the US white goods group, said it would decide by July 1 whether to exercise an option to purchase the remaining 47 per cent interest in its Whirlpool International appliance joint venture with Philips, Reuter reports from Detroit.

Whirlpool said it could not confirm a report saying the US company was seeking to buy out Philips's share.

It did say, however, it had the financing in place to underwrite the Fl 1bn ($600m) purchase price of the stake.

PWA in C$105m issue

By Bernard Simon

PWA, the parent of Canadian Airlines International, is strengthening its balance sheet but significantly diluting shareholder value with a C$105m (US$91.3) issue of common equity.

The company said it would sell 12m common shares at C$8.75 each to a syndicate led by the Toronto securities firm Gordon Capital Corp. It said that Gordon made an "unsolicited offer" to buy the shares. PWA presently has almost 36m common shares outstanding.

The airline, one of Canada's two international carriers, requires the infusion of equity to help finance new aircraft purchases and to bolster its financial position in the face of the weak travel market.

PWA currently has access to C$250m in cash and lines of credit, but has debts of about C$1bn. Its 1990 results, due out next week, are expected to include a substantial loss, and analysts predict further losses this year.

A deal to raise cash by selling eight Airbus A310s recently fell through. PWA said, however, it was confident of finding another buyer soon.

Northrop profit at $42.7m

NORTHROP, the US defence contractor heavily dependent on the B-2 Stealth bomber programme, has reported fourth-quarter net income of $42.7m, compared with a net loss of $33.6m in the same period of 1989, writes Martin Dickson.

The company said all its main business units reported substantially improved operating performances in the period.

Sales were $1.52bn, against $1.33bn a year before, while earnings per share worked through at 91 cents, compared with a loss of 71 cents.

The fourth-quarter gain in sales was due to increased activity on the initial, low-rate production contract for the B-2, and in the missile and unmanned–vehicles systems segment.

INTERNATIONAL COMPANIES AND FINANCE

A shot in the foot for regulators

Philip Gawith on the problems facing South Africa's takeover code

THE saddest feature of the battle raging in the South African banking sector for control of the Allied building society group is that the fledgling Securities Regulation Panel has been an early and spectacular casualty.

The new South African Code on Takeovers and Mergers, which the panel enforces, came into effect at the beginning of this month. It could not have had a worse start.

Partly by the panel's own hand, but also through the misfortune of being presented, on its maiden outing, with a spectacularly complicated set of facts, its reputation is now in tatters. As one insider observed: "The panel has fallen flat on its face before it even tried to sit down."

The central problem facing the panel is jurisdictional. Both the United Building Society-led merger bid – under which United, Allied, Volkskas and Sage Financial Services would merge their interests – and that from First National Bank (FNB) for Allied, were deliberately launched before the end of January in order to escape the panel's powers, which also commenced on February 1.

However, it is possible that their subsequent conduct could trigger the panel's jurisdiction. The legal dispute centres over which aspects of the battle for Allied fall within the code. Of particular concern is whether Rule 8 of the code applies. This holds that an offer has to be made to minority shareholders at the highest price paid in the market if certain shareholding limits are breached.

For the panel, the current position whereby the public sees it as responsible for regulating the bid, but with the panel considering itself to be without jurisdiction, is extremely uncomfortable. One insider commented: "It's rather like sending your opening batsman out to bat with a stump."

The predictable outcome of this confusion is that the lawyers' business is flourishing. This is most unfortunate as it runs counter to one of the code's most important features: that the spirit of the code counts as much as the letter. This was designed to ensure that the small man's interests were not subverted by large corporations hiring expensive legal teams to argue the technicalities. Sadly, this is exactly what is happening.

For the panel, the current position whereby the public sees it as responsible for regulating the bid, but with the panel considering itself to be without jurisdiction, is extremely uncomfortable.

Where the panel has shot itself in the foot is in choosing not to publicise a ruling it made last week. Although the ruling has not been made public, it is an open secret that the panel upheld United's contention that it and its merger partners were not concert parties, removing the danger that they might trigger Rule 8 and be forced to make a offer.

This finding is of considerable significance: first, it allows the United camp to build up a very large stake so increasing the chance that its merger bid will prevail. Second, it removes the possibility of United having to make a very expensive mandatory offer to minorities.

The panel has defended its secrecy by saying it had to respect the confidentiality of information supplied to it by United. However, it has now conceded that the facts and the figures could have been kept private while making the ruling public.

Indeed, the code itself demands it when it says: "The panel's policy in the case of important decisions is to publish its conclusions and the reasons for them." Allied shareholders, and to a lesser extent FNB, can also clearly make a case that they have an interest in knowing what the ruling was.

Arguably more troubling than any of these points is the stance of the panel's ruling about concert parties. Although the ruling offends common sense – it seems absurd to argue that United and its partners are not concert parties – it is known that United assembled formidable and unanimous legal opinion on this point.

Apparently United and its partners are considered to be associates with a common purpose rather than concert parties. The obvious rejoinder to this is that only the law appreciates such a distinction. It makes no sense in the context of a code which pretends that the spirit counts as much as the letter.

WHATEVER happens now, the panel's ruling looks set to end in court. There is now too much at stake for the main protagonists to back down. If the panel stands by its ruling, FNB looks sure to contest it in court. If, at the risk of considerable loss of face, the panel reverses its ruling, United will certainly not let the matter rest there.

Either way, the panel is damned. This is unfortunate, and to some extent unfair, given that the problem at the heart of the current dispute was not of the panel's making and will not recur. As Mr Stuart Jones, from the FNB camp, said: "They have their own confusion and everything they've done so far has added to the confusion."

Now the panel faces the difficult task of establishing its credibility against a backdrop of scepticism. It is some consolation that the panel is now indelibly stamped on the investment community's consciousness. Would that it were for better reasons.

Normandy Resources and Poseidon to merge

By **Kevin Brown** in Sydney

NORMANDY Resources and Poseidon, the two main companies in Mr Robert Champion de Crespigny's loosely-knit Australian mining group, are to merge in a bid to improve their image.

The group said it had become apparent that "the present structure of the Normandy Poseidon group is not appropriate for the changed markets of the 1990s due to confusion over the roles of Normandy and Poseidon."

The merger is intended to attract corporate and institutional support by simplifying the complex structure of the group and creating a liquid market in the shares, the group said.

The group also wants to reduce the identification of Normandy Poseidon with other "entrepreneurial" Australian businesses such as Mr Alan Bond's Bond Corporation and Mr John Spalvins' Adelaide Steamship group.

Mr de Crespigny will remain chairman of the group he founded in 1985, but will hold only 10 per cent of the shares of the merged company, significantly less than his effective holding under the previous structure, believed to have been around 30 per cent.

The merged Normandy Poseidon will have market capitalisation of around A$1.6bn (US$1.26bn) and will employ 1,800 people.

The group is a significant producer of gold, diamonds, industrial minerals and oil, but hostility to its interlocking shareholding structure has been increasing since the demise of other "entrepreneurial" companies following the 1987 stock market crash.

"The market has been signalling that it does not like this complex structure, and they seem to be responding to that feeling. But it is still not obvious what they are trying to do," said Mr Stuart Baker, an analyst at Prudential Bache.

"One of the problems with Normandy Poseidon is that there has been too much corporate manoeuvring in the past, and not enough digging up commodities and selling them. But this is obviously an effort to improve their image."

Mr Michael Hamson, deputy chairman of both Poseidon and Normandy Resources, said the merged company would bring the group's fragmented operations "either into or closer to the parent company's accounts."

The merger, which is subject to approval by shareholders and the courts, will be through an offer of four shares in Normandy Poseidon, the merged company, for every three Poseidon shares.

The largest shareholder in the new company will be TNT, the Australian transport group, with 20 per cent. TNT has been locked into Poseidon since a takeover attempt in 1988, and has said its A$105m investment may have to be written down to reflect the reduced value of the shares.

Anglo American Corporation, the South African mining group which was one of Mr de Crespigny's original backers, will be the second largest shareholder with 20 per cent.

Renouf to fall short on debt payment

By **Terry Hall** in Wellington

RENOUF, the New Zealand investment, property and financial services company whose fortunes have slumped since the 1987 stock markets crash, yesterday told its bankers it will not be able to repay all its NZ$82.2m (US$49.29m) debt falling due when a debt moratorium ends on June 30.

The company reported a net loss of NZ$7.38m for the six months to December 31, compared with NZ$8.14m profit for the previous period. Mr Andrew Strange, managing director, said the result was NZ$3m worse than budget; this was primarily due to the performance of the 95 per cent-owned Renouf Properties which earlier this week reported a NZ$4.95m half year loss.

Mr Strange said it had proved impossible to realise the investment in Renouf properties and to resolve matters of litigation which restrict the flow from offshore investments.

He said the future of the corporation would depend on the outcome of talks with the nine bankers involved in the moratorium, under which Renouf has avoided interest payments since 1989.

Revenue in the first half fell 6 per cent to NZ$126.65m: shareholders' funds fell to NZ$87.58m from NZ$102.06m, total assets dropped to NZ$356.86m from NZ$375m and total liabilities slid to NZ$269.28m from NZ$272.95m.

The directors expect to recover all receivables from Impala Pacific, the group's 43 per cent owned Hong Kong subsidiary, but these were carried at nil value in the books. Benequity Properties, the US subsidiary, was now debt free and in "good shape".

Directors expected to make a substantial recovery in this investment in due course.

Renouf fell heavily from grace following the 1987 sharemarket crash, when it was a darling of the investment world because of the glamour associated with its leading lights Sir Francis Renouf and Mr Bruce Judge. Its shares have fallen from around NZ$6.50 to 4 cents yesterday.

Shareholders voted Sir Francis off the board at the annual meeting, but his family retains a 5 per cent interest.

China Airlines up at T$4.14

CHINA Airlines (CAL), Taiwan's flag carrier, yesterday posted a 17 per cent rise in pre-tax profits to a record T$4.14bn (US$152m) in 1990, despite the Gulf crisis, Reuter reports from Taipei.

The state-owned airline logged total revenue of T$37.62bn in 1990 against T$34.45bn in 1989.

Mr Wu Yueh, chairman, said CAL's overseas passenger routes ran at an average 80 per cent capacity last year, while its cargo business rose 24 per cent.

He said CAL had agreed to take a majority stake in a new company, Sky Rider Airlines, which officials hope will be able to fly to Australia and other countries that deny China Airlines landing rights for political reasons.

MBF Finance rises 51%

MBF FINANCE, Malaysia's largest finance company, yesterday reported a 51 per cent jump in group pre-tax profits, spurred by a sharp expansion of its loan portfolio, AP reports from Kuala Lumpur.

For the year ended December 31, the group's pre-tax profit rose to M$64.52m (US$23.92m) from M$42.84m in 1989, while turnover rose 78 per cent to M$397.37m.

Profit after tax was 57 per cent higher at M$40.16m from M$25.6m. With only M$2,000 in minority interest in the past financial year and none in the prior, after-tax earnings carried through to the bottom line. Earnings per share following a 1990 rights issue rose to 16.6 sen from 15.4 sen in 1989.

Malaysia's booming economy, which is estimated to have grown nearly 10 per cent in 1990, aided the banking industry as the writeback of non-performing loans from the 1987 recession and new loan demand both surged. MBF Finance, which specialises in loans to individuals, has benefited from sharp rises in personal income and employment.

Against this background, Mr Datuk Loy Hean Heong, managing director, said the group took "a more aggressive stance, particularly in respect of its loan portfolio, which increased by 52 per cent."

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Italy's first fixed-rate 10-year issue welcomed

By Haig Simonian in Milan

THE ITALIAN treasury has passed a milestone in its borrowing policy with the issue of its first 10-year fixed-rate domestic bond.

The paper, which has met an *almost* euphoric opening response among investors, follows the launch last May of Italy's first seven-year fixed-rate issue, which was snapped up by both domestic and foreign buyers.

Traders said demand for the L3,000bn deal, which pays interest at 12.5 per cent, had been so high as to push returns on the 10-year paper marginally below those available *on outstanding* seven-year bonds. "It looks like it will be a major success", said one Milan-based dealer.

The 10-year domestic bond comes hard on the heels of this week's 20-year Ecu2.5bn Eurobond issued by the Italian government, in another market innovation.

Both deals follow the treasury's policy of using more favourable market conditions to extend the maturity on its huge debt.

The lion's share of Italy's yearly domestic borrowing programme involves servicing existing debt, and longer-term maturities have been seen as a way of reducing funding costs while aiding the government's overall debt management.

The extension of domestic fixed-rate maturities also reflects the greater confidence in the lira – and to a lesser extent in government economic policy – since last year's decision to bring the currency into the narrower 2.25 per cent fluctuation bands of the exchange rate mechanism of the European Monetary System and to abolish exchange controls.

However, it will be some time before Italy will be able to reduce the high relative interest rates – one of the main reasons behind the keen interest in the government's longer-maturity fixed-rate issues.

With inflation at 6.5 per cent last year and the Bundesbank maintaining tight monetary policy, the Italian treasury will have to continue offering attractive coupons on its debt, whatever the greater confidence in the currency.

Treasuries 'eerily quiet' as traders watch Gulf events

By Patrick Harverson in New York and Tracy Corrigan in London

AN UNEASY calm descended on the US bond market yesterday morning as participants refrained from committing themselves with the Gulf conflict at an apparently critical stage.

At midday, the benchmark 30-year Treasury bond was up ⅛ at 107$\frac{11}{32}$ to yield 8.045 per cent. The two-year note was also firmer, up $\frac{1}{32}$ at 99$\frac{28}{32}$, yielding 6.886 per cent.

Analysts said prices had risen slightly in reaction to President Saddam Hussein's defiant morning speech, which appeared to rule out any compromise and appeared to bring the ground war closer.

The bond market usually improves on bad economic news, and the longer the Gulf war goes on, the worse it is for the US economy. However, activity was very light. Mr Bob Brusca of Nikko Securities said: "The market is eerily quiet."

Dealers and investors were also keeping an eye on the Federal Reserve chairman's second day of testimony before Congress. *The reaction to his first* day's comments was mixed, with the market unsure how to respond to his promise that policy would be eased when necessary, but only if inflation allowed it.

Fed funds traded at 6$\frac{5}{16}$ per cent, stubbornly above the Fed's target of 6¼ per cent. The authorities were forced yet again to keep the rate from rising too high, this time via four-day system repurchase agreements.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-30	-02/32	10.72	10.84	11.40
		9.000	03/00	94-17	-03/32	9.93	9.90	10.27
		9.000	10/08	93-30	-05/32	9.72	9.64	9.95
US TREASURY *		7.750	02/01	99-11	+04/32	7.85	7.76	8.08
		7.875	02/21	98-12	+08/32	8.02	7.95	8.23
JAPAN	No 119	4.800	6/99	89.6372	-0.216	6.68	6.69	6.87
	No 129	6.400	03/00	100.4036	-0.203	6.33	6.31	6.58
GERMANY		9.000	01/01	104.4700	-0.030	8.32	8.27	8.87
FRANCE	BTAN	9.000	02/96	98.6883	-0.115	9.28	9.28	10.08
	OAT	9.500	01/01	103.0800	-0.020	9.01	8.99	9.64
CANADA *		10.500	03/01	105.7500	-0.200	9.59	9.56	10.07
NETHERLANDS		9.250	11/00	104.4100	-0.140	8.56	8.58	9.14
AUSTRALIA		13.000	07/00	108.9319	-0.062	11.42	11.52	11.90
BELGIUM		10.000	08/00	104.6500	-0.500	9.23	9.00	9.69

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

EUROPEAN bond markets mostly ended little changed, shedding slight gains when President Saddam Hussein's radio broadcast failed to produce any fresh hopes that a ground war could be averted.

Speculation about the Gulf war is providing the main focus for traders, as most markets have run out of steam *after a month-long rally and* have become technically overbought.

■ THE GERMAN bund market was steady yesterday, and appears less vulnerable after two days of downward correction, analysts said. The Bund futures contract on the London International Financial Futures Exchange ended at 85.50, slightly lower than Wednesday's close and in the middle of the day's trading range.

■ THE UK gilts market also ended off earlier highs, with the short end still supported by the prospect of further interest-rate cuts. Rumours that the Spanish authorities were set to reduce rates temporarily boosted the market. A weaker peseta resulting from such a rate decrease, would lower *sterling's floor against the* D-Mark within the exchange rate mechanism of the European Monetary System, allowing a reduction of UK interest rates.

■ The French bond market was also stagnant, as expectations of a ¼ point cut in the intervention rate failed to materialise.

Fokus Bank plunges deep into the red

By Karen Fossli in Oslo

FOKUS BANK, Norway's third biggest bank, yesterday revealed net losses of NKr992m ($170m) for 1990 after recording net profits of NKr101.9m a year earlier.

Last December, Fokus forecast net losses of NKr600m, based on losses on loans and guarantees of NKr980m.

The bank was given a three-year, plus renewal options, NKr1.5bn conditional guarantee by the Guarantee Fund of the Commercial Banks which demanded that Fokus write down its share capital by 50 per cent.

This resulted in the face value of the bank's shares being cut to NKr50 a share.

Group credit losses in 1990 nearly doubled to NKr1.03bn from NKr599.6m in 1989, while net interest income slid to NKr1.22bn from NKr1.4bn.

Group operating income plunged by half to NKr316m from NKr634.2m in 1989. Fokus registered a pre-tax profit before losses of NKr33m in 1990, some NKr734m less than in 1989.

It said that credit losses by its parent bank accounted for NKr997m of the group total.

Fokus said there were increased write-offs within primary industries such as fish and fur farming.

It added that the bank was also affected by a decline in the value of collateral, primarily property.

The company said that 15 per cent of the losses related to private customers and 85 per cent to commercial customers. It wrote off NKr290m in bad loans, with fish and fur farming accounting for 30 per cent of total write-offs.

Wool Corp to retire debt via bonds

By Kevin Brown in Sydney

THE AUSTRALIAN Wool Corporation is expected to tap the domestic long-term bond market for the first time next week as part of a refinancing of A$2.8bn (US$2.2bn) in short-term debt.

Mr Gary Richardson, treasurer, said the corporation would probably issue bonds worth about A$300m, maturing in late 1995, as the first tranche of a A$1bn capital-raising programme.

He said the proceeds would be used to retire some of the corporation's short-term debt, which comprises A$1.25bn in domestic short-term paper, A$500m in the Hong Kong commercial paper market and US$1bn in commercial paper issued in New York.

The bonds will attract an AAA rating from Australian Ratings, the local credit-rating agency, because of the corporation's status as a statutory authority guaranteed by the federal government.

The proposed issue follows a rapid reversal in the corporation's liquidity following the collapse of Australian wool prices because of overproduction and falling demand.

The corporation had liquid reserves of A$1.7bn 18 months ago, but its debt soared as it intervened in wool sales contracts to maintain guaranteed prices to farmers.

The government suspended the guaranteed pricing system two weeks ago, but the corporation will be required to make supplementary payments to farmers for sales agreed before the end of June.

Hence it will be unable to forecast its financing requirements until the wool price stabilises, probably in a couple of months' time, and may have to return to the short-term market if its commitments increase beyond A$2.8bn.

"We have been in a very unusual position as a borrower," said Mr Richardson.

"The turnround in our cash position was quite momentous and we have been jumping from one short-term borrowing to the next to ensure we had sufficient liquidity to keep going."

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on February 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅝	102⅛		7.98	BAYERISCHE VEREINS INT 7 94 LFr	600	91⅞	92⅞	-⅛	9.89
ALBERTA PROVINCE 9 3/8 95	600	104⅜	104⅝	-⅛	8.19	KREDIETCORP 7 93 LFr	1000	93⅞	94⅞		9.88
AUSTRIA 8 1/2 00	400	100	100⅝	-⅛	8.50	WORLD BANK 8 96 LFr	1000	94⅛	95⅛	-⅛	9.44
BANK OF TOKYO 8 3/8 96	100	99	99½	-⅛	8.62	AMRO BANK 6 1/4 92 Fl	150	94⅞	95⅜		10.08
BELGIUM 9 1/8 92	400	101⅛	101⅜	-⅛	8.18	RABOBANK 5 3/4 93 Fl	150	92⅞	93⅛		10.09
BFCE 7 3/4 97	150	98	98½	-⅛	8.18	ALBERTA PROVINCE 10 92 C$	500	100	100⅜	+⅛	9.91
BNP 9 5/8 94	300	101⅞	102⅛	-⅛	8.00	BCE INC 9 5/8 93 C$	300	98⅝	99⅛	+⅛	10.32
BP CAPITAL 9 5/8 93	150	102⅞	103⅞		7.92	BELL CANADA 10 5/8 99 C$	150	100⅞	101⅜	-⅛	10.44
CANADA 9 96	1000	104⅛	104½	-⅛	7.97	BRITISH COLUMBIA 9 1/4 93 C$	150	98⅛	99	+⅛	10.09
CARCO 9 1/4 96	650	98¾	99¼	+⅛	9.53	EIB 10 1/8 98 C$	130	100⅞	101⅛		9.94
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GENERAL ELECTRIC 5 3/4 93	35000	96⅞	97⅜	-⅛	7.39	MITSUBISHI BK 1 3/4 02	300	2727.1	99½	101½	-3.80
INTER AMER DEV 7 1/4 00	30000	104	104¼	-⅛	6.65	OGDEN 6 02	85	39.077	74⅝	75⅝	+34.85
ITALY 5 3/4 92	150000	98⅞	99⅛		6.96	PACIFIC DUNLOP 6 3/4 97	75	3.749	109¼	110¼	-1.05
KANSAI ELEC PWR 4 5/8 94	60000	94	94⅞		6.77	TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	82¼	83¼	+58.28
NIPPON TEL & TEL 5 7/8 96	50000	96⅞	97⅛	+⅛	6.55	THORN EMI 5 3/4 04 £	103	7.45	109¼	110¼	+22.22
NORWAY 5 1/8 95	50000	94⅞	95		6.62						
SWEDEN 5 5/8 95	20000	96	96½	+⅛	6.65						
WORLD BANK 6 3/4 00	50000	101⅛	101⅝		6.54						

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month $above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Second Mexican deal made in week

By Tracy Corrigan and Stephen Fidler in London and Damien Fraser in Mexico City

MEXICO'S state-owned oil company yesterday launched a $125m Eurodollar bond issue, the second of Mexican debt in the Euromarket in a week, further showing the country's progress in re-establishing its name in the capital markets.

On Tuesday, Mexico launched its first Eurobond issue as a sovereign borrower for 10 years, a DM300m offering of five-year 10½ per cent bonds.

The issue encouraged speculation that Mexico had been buying back some of its outstanding "Brady" bonds. Some $33bn of these bonds were issued last year as part of the restructuring of Mexico's bank loans under the debt reduction plan of the US treasury secretary, Mr Nicholas Brady.

However, Mr Angel Gurria, Mexico's under-secretary for international finance, said: "We are not looking at the question of buying back bonds while the market is going crazy." He said the government was issuing the bond as part of its normal borrowing requirements for the year.

Rumours of Mexican repurchases have encouraged a sharp rally in the price of Brady bonds over the last six weeks. Mr Gurria attributed that rally to the fall in US interest rates and an improvement in Mexico's image on financial markets. He said that the government was happy with paying 6¼ per cent on the par bonds, and had no plans to buy any bonds back. But Mexico would remain open to specific offers to buy back Brady bonds if financing was made available.

Repurchases of Brady bonds would benefit the Mexican government in several ways: the face amount of its debt would be reduced as would its debt servicing bill. The yield to maturity on the D-Mark bonds of just under 10½ per cent, compares with the 13-14 per cent yield on the Brady bonds. The Brady bonds are also backed by US Treasury bonds – currently worth more than $9 on every $100 of bonds. Buying back the Brady bonds would free this collateral.

Deutsche Bank, lead underwriter of Mexico's DM300m Eurobond, said it had targeted the offering at retail investors but had been surprised at the extent of institutional participation. The rally in German bond prices has sharpened investors' appetites for high-yielding bonds.

Moody's have rated the bonds Ba2. The agency said the rating recognised the advances achieved by the government in stabilising and restructuring the economy. However, the widening current account deficit, the large external debt burden and political uncertainty contributed to a sub-investment grade rating, Moody's added.

Pemex's $125m two-year Eurobond launched via Swiss Bank Corporation yesterday was also targeted at retail investors. However, the short maturity encouraged broader participation than for previous deals, said the lead manager.

The financing was part of Pemex's $8bn funding programme in the capital markets over five years. The proceeds will go towards Pemex's $20bn investment programme designed to increase production.

The company may also tap the Japanese and US public or private bond markets, and is considering starting a commercial paper programme. Pemex has no bank debt, apart from a $2.5bn bankers' acceptances facility for trade finance purposes.

Pace slows as traders absorb recent issues

By Simon London

THE PACE of new issues slowed yesterday as the international bond market paused to absorb the mass of new paper offered during the past two weeks.

INTERNATIONAL BONDS

Today, the market may focus on efforts to re-open the sterling mortgage-backed market, which has missed the positive tone of other sectors.

Several borrowers are reported to be close to launching issues. Syndicate managers said that National Home Loans was close to finalising the terms of a £200m deal, via special purpose subsidiary CMS No 8, with bonds of an average life of four years.

The last new issue in the sector was a £350m three-tranche deal, also by National Home Loans, on January 23. The middle tranche of the deal had an average life of just less than four years and offered investors a discounted margin of 62.5 basis points over the London interbank offered rate. A discounted margin in the region of 65 to 70 basis points might be required this time.

Elsewhere, banks including Crédit Suisse and Swiss Bank Corporation declined to participate in a SFr150m 10-year deal for Air France, lead managed by Union Bank of Switzerland, saying that the pricing was too tight when the airline industry was facing a slump.

The bonds do not carry the guarantee of the French government, but Air France is state controlled and received a FFr2bn ($395m) capital injection on Wednesday. Launched at 102⅔, the paper traded at less 2⅞ bid, just inside full fees according to the lead manager.

Société Générale, the French bank, followed the success of Wednesday's FFr800m eight-year deal by adding an additional FFr200m tranche.

The bonds pay a coupon of 9¼ per cent, which holders can take in the form of new bonds issued at par or in cash.

The paper shares some of the attributes of zero-coupon paper. For example, if the coupon is reinvested in new bonds the cash flow accruing to the investor is concentrated at the maturity date. Yesterday's deal was targeted at institutional investors and was bid at the fixed reoffer price of 99.85.

SocGen also brought the first New Zealand dollar deal this month, a NZ$50m offering lead-managed by Fay Richwhite. The proceeds of the issue will be swapped into Australian dollars for the borrower.

The European Investment Bank, which last week said it was to double its borrowings in Escudos this year to Esc45bn, made a Esc15bn five-year offering via Banco Portugues Do Atlantico.

The paper carries a 15¾ per cent coupon. The appointment of Deutsche Bank as a joint lead manager suggests that the issue is targeted at German retail accounts.

Fuji Bank International Finance came with a $200m 10-year subordinated issue, bringing the amount of subordinated paper issued by Japanese banks this year to $2.4bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Fuji Bank Int.Fin.NV(b)◆	200	8⅝	101½	2001	2/1¼	Fuji Int.Fin.
Petroleos Mexicanos(a)◆	125	10	99.40	1993	1⅛/⅜	SBC
CANADIAN DOLLARS						
Toronto Dominion Bk(a)◆	35	10⅛	101.95	1996	1⅞/1¼	BIL
NEW ZEALAND DOLLARS						
Societe Generale (Aust.)(a)◆	50	12⅜	101.95	1993	1¼/¾	Fay, Richwhite (UK)
ESCUDOS						
EIB(a)◆	15bn	15¾	101⅛	1996	-	Bco.Port.D'Atlantico
FRENCH FRANCS						
Societe Generale(c)◆	200	9¼	99.85	1999	0.325	Societe Generale
SWISS FRANCS						
Air France(d)◆	150	7¼	102⅔	2001	-	UBS
Fuji & Co.(a)★★◆	30	7½	100¼	1996	-	UBS
DSL Bank(a)★★◆	20	7	102	1996	-	UBS
YEN						
Toyo Ink Manufacturing(a)◆	15bn	7¼	101	1998	1⅞/1⅝	Nomura Int.

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Callable on each coupon date, from 1996, at par. c) Fungible with issue launched 20/2/91. Deal now totals FFr1bn. d) Callable after 8 years at 101½.

Fancy flight finance falls to floor

Lenders to airlines hit by recession suffer too, writes **Stephen Fidler**

THE WORLD'S airlines are not alone in their alarm about the collapse in the number of passengers travelling; those who financed them in the credit-glutted 1980s are worried, too.

Despite their well-known vulnerability to recession, airlines were among the beneficiaries of the international bank lending boom which came to an abrupt halt last year.

Intense competition among lenders, with Japanese institutions helping to push returns down to unprecedented levels, continued until last year. Now that has changed: "The risks that banks were willing to take just became too high and the yields too low," says one US airline financier.

In the past six months, interest margins for those carriers able to find bank lenders have more than doubled. Whereas in the middle of last year reasonable quality airlines could secure funds at a margin of ½ percentage point over money market rates, now the margin is 1 per cent or more.

But it is not just that airlines are having to pay more. Over the past year, banks have become less inclined to lend to corporate customers, especially to those highly-indebted companies, such as airlines, in recession-hit industries.

The carriers have suffered from more than the usual recession-induced downturn in traffic due to worries about Iraqi-sponsored terrorism. And, although the price of a barrel of crude oil has dropped significantly from its peak following the Iraqi invasion of Kuwait, that of scarce jet fuel has fallen by less.

This unhappy combination means danger not only for the airlines, but also for those that lease aircraft to airlines and to the banks themselves.

Because of changes in financing techniques in the 1980s, banks have significant exposure to the volatile second-hand market for airliners.

Some airlines, having learned the lessons of the last recession, have given themselves more flexibility in the current downturn. They have, where possible, avoided overburdening themselves with debt to buy aircraft and tried to pass on the risks of aircraft ownership to others.

However, what turns out to be good news for the airlines may be the reverse for their financiers and the makers.

For instance, some airlines have negotiated wonderful deals with suppliers. American Airlines negotiated a "30-day walk-away clause" with an order placed in 1987: if it decided it no longer needed one of the 25 Boeing 767s it ordered, it could return them after 30 days to the manufacturer.

Others are operating aircraft which they can hand back either to bank lenders or to the specialised aircraft leasing companies. There has been growth in the use of operating leases: research from two S.G. Warburg Securities' analysts in Tokyo suggests that 16.1 per cent of the world fleet was owned by operating lessors at the end of 1989, compared with 6 per cent in 1981. The figure could rise to 22 per cent by 1995.

In contrast with finance leases – a banking-type transaction where the airline ends up as owner of the aircraft – operating leases tend to be shorter term and the ownership of the aircraft remains with the lessor, the largest of which is GPA, based in Shannon, Ireland.

So what are the risks to the banks? In the simplest case, banks lent to an airline as a corporate entity, and their risk is that of corporate failure, after which they take their place in the pecking order of creditors claiming their assets.

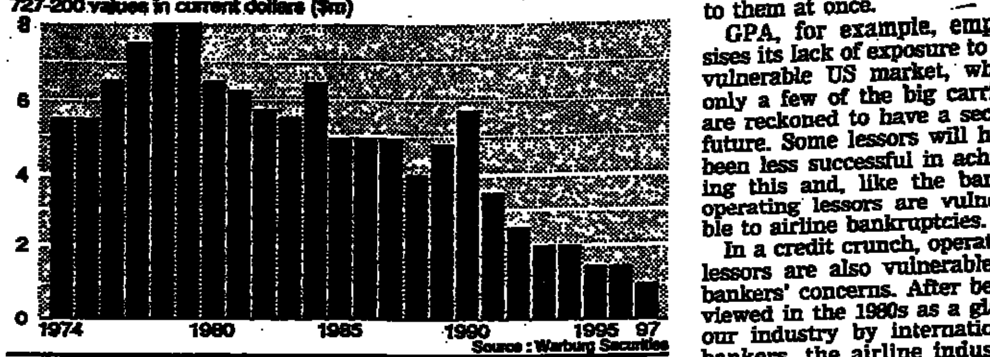
But banks also lent to finance aircraft purchases, with the aircraft being used as security. As competition between banks intensified in the 1980s, they were also willing to finance a larger percentage of an aircraft's value. Banks used only to finance 80 per cent of an aircraft, but as competition heightened this percentage rose in some cases, bankers say, to more than 100 per cent.

British Airways is among a group of airlines which has secured financings from banks with a put option – which means that after specified periods the airline can hand the aircraft to the banks.

The banks liked the airline finance business because they saw themselves with twofold protection: even if the airline went bust, they would have claim to a valuable asset – the aircraft. The flaw – and this is a reason why aircraft financiers are nervous now – was that airlines would be going under just when demand for aircraft would be eroding, and secondhand prices falling.

Used aircraft prices

727-200 values in current dollars ($m)



Source: Warburg Securities

Some bankers think the put options built into financing for British Airways and others like it were sold to the airlines too cheaply. "They were blinded to the option risk by the good credit," said one. In these and similar deals, "the banks were taking on quasi-equity risk" without receiving concomitant returns, said another.

The operating lessors are also at risk. The return of an aircraft under short-term lease might seem an easy option for a hard-pressed airline. The airline's decision, in fact, may not be so clear cut: many leases are longer term and it is not possible for them to be terminated immediately without financial penalties.

It may also make more sense for an airline to operate leased aircraft, for example, if they are more fuel efficient than the older aircraft it owns. So those leasing companies with the most modern "Stage Three" aircraft are likely to be in the best position.

Leasing companies attempt to spread the maturity of their leases and the airlines with which they have negotiated them – because they do not want all their aircraft returned to them at once.

GPA, for example, emphasises its lack of exposure to the vulnerable US market, where only a few of the big carriers are reckoned to have a secure future. Some lessors will have been less successful in achieving this and, like the banks, operating lessors are vulnerable to airline bankruptcies.

In a credit crunch, operating lessors are also vulnerable to bankers' concerns. After being viewed in the 1980s as a glamour industry by international bankers, the airline industry is now seen quite differently by the nervous bank credit committees which decide on where a bank's funds will be lent.

Some banks have cut back on their exposure to the industry on the basis that it is particularly vulnerable to recession and, after nine years of economic expansion, a recession was due.

For example, Midland Bank was said last year to have dramatically reduced its exposure to the industry, including operating lessors such as GPA, although it retains an air finance group. Before then, some other prominent airline financiers, such as Chemical Bank of the US, pulled back from the business.

For those banks whose capital is under pressure, the airline business is one more sector where their loans are at risk. Even if they end up owning airliners, in the long term the problem – while perhaps a reason for concern – should not cause a banking disaster.

For the airlines, the banks are another potential source of financial instability. As bankers and airline executives reflect on their mutual interdependence, they may consider another depressing bond between them: both work in industries which appear to suffer from chronic low profitability.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Thursday February 21 1991						Wed Feb 20	Tue Feb 19	Mon Feb 18	Year ago (approx)
		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Index No.	Index No.	Index No.	Index No.
1	CAPITAL GOODS (187)	802.04	+0.6	13.33	5.98	9.13	0.67	797.02	802.40	804.21	853.10
2	Building Materials (25)	1102.17	+0.7	13.02	5.51	9.45	0.45	1094.32	1108.72	1109.29	1033.95
3	Contracting, Construction (31)	1246.27	+0.8	14.41	6.27	9.00	1.46	1235.99	1242.50	1238.43	1430.05
4	Electricals (10)	2164.85	-0.2	13.05	6.16	9.38	0.80	2168.63	2196.20	2206.69	2396.64
5	Electronics (25)	1786.18	+1.4	8.90	5.01	14.98	1.10	1760.90	1759.94	1746.17	1892.33
6	Engineering-Aerospace (8)	408.87	+0.6	16.41	5.97	7.32	0.86	406.39	409.75	410.70	417.91
7	Engineering-General (47)	398.73	+0.6	14.65	6.45	8.23	1.15	396.50	398.66	399.15	458.72
8	Metals and Metal Forming (8)	444.45	+0.8	20.53	7.74	6.01	0.00	440.89	443.30	445.73	461.64
9	Motors (13)	322.34	+1.3	15.45	7.46	7.54	0.00	318.05	323.00	322.36	354.45
10	Other Industrial Materials (20)	1397.17	....	12.07	5.82	9.58	0.71	1396.65	1401.20	1416.79	1545.00
21	CONSUMER GROUP (182)	1320.00	+0.6	9.14	3.95	13.58	2.72	1312.05	1323.25	1325.12	1234.07
22	Brewers and Distillers (22)	1661.02	+0.6	9.65	3.76	12.77	7.47	1651.66	1665.99	1667.82	1441.82
25	Food Manufacturing (20)	1121.92	-0.1	10.25	4.28	12.01	1.66	1122.88	1124.31	1123.34	1058.34
26	Food Retailing (16)	2494.73	+1.8	8.49	3.11	15.42	3.15	2450.14	2454.53	2465.13	2263.95
27	Health and Household (21)	2807.02	-0.3	6.39	2.73	18.55	0.47	2814.06	2855.64	2846.07	2424.27
29	Hotels and Leisure (22)	1279.07	+2.9	10.68	5.36	11.12	0.86	1242.89	1258.42	1265.19	1534.33
30	Media (25)	1294.17	+0.2	11.28	5.32	11.19	7.81	1291.03	1305.58	1304.08	0.00
31	Packaging & Paper (11)	585.79	-0.8	8.98	5.86	13.64	0.30	590.24	597.92	595.04	563.89
34	Stores (34)	840.30	+1.0	10.11	4.35	12.87	1.67	831.88	836.39	844.49	780.51
35	Textiles (11)	455.08	+0.3	12.63	7.73	10.15	0.50	453.74	460.11	461.93	504.14
40	OTHER GROUPS (111)	1114.06	+1.0	11.58	5.37	10.45	2.51	1102.54	1108.01	1110.96	1157.21
41	Business Services (12)	1041.47	+1.9	12.00	5.18	10.13	0.00	1021.96	1011.68	1005.25	0.00
42	Chemicals (21)	1203.30	+0.7	11.81	5.93	9.99	0.63	1194.69	1208.87	1202.52	1165.62
43	Conglomerates (11)	1445.69	+1.5	11.87	7.13	10.04	6.83	1424.64	1426.59	1437.64	1581.17
44	Transport (15)	2028.07	+0.7	12.89	5.02	9.57	1.78	2013.04	2026.58	2010.20	2270.64
45	Electricity (12)	1125.50	+0.2	10.96	6.25	11.01	0.00	1122.94	1133.19	1151.21	0.00
46	Telephone Networks(3)	1248.28	+1.7	10.71	4.05	12.14	0.00	1227.51	1236.41	1232.32	1210.70
47	Water(10)	2432.77	+0.4	13.94	5.76	8.02	39.69	2423.53	2406.14	2470.73	2053.31
48	Miscellaneous (27)	1769.76	+0.5	10.65	5.12	10.93	1.22	1761.18	1771.56	1783.19	1843.42
49	INDUSTRIAL GROUP (480)	1132.14	+0.8	10.79	4.82	11.35	2.11	1123.71	1131.62	1133.86	1127.93
51	Oil & Gas (20)	2259.21	....	11.47	5.88	11.42	7.42	2259.61	2267.93	2249.49	2382.74
59	500 SHARE INDEX (500)	1227.12	+0.6	10.88	4.97	11.36	2.52	1219.24	1227.27	1228.01	1231.93
61	FINANCIAL GROUP (98)	774.62	+0.9	–	6.15	–	1.00	767.97	770.05	779.20	819.77
62	Banks (9)	827.57	+1.0	19.25	7.02	6.80	1.61	819.44	818.58	835.06	871.69
65	Insurance (Life) (7)	1404.17	+0.4	–	5.47	–	0.00	1398.01	1394.43	1396.34	1343.18
66	Insurance (Composite) (6)	685.22	+0.6	–	6.24	–	0.00	681.20	680.86	689.89	694.00
67	Insurance (Brokers) (8)	1044.41	-1.6	7.08	6.17	18.50	2.15	1061.04	1080.04	1085.30	1109.19
68	Merchant Banks (7)	398.08	+0.9	–	5.13	–	0.00	394.53	393.18	391.38	493.58
69	Property (41)	1011.89	+1.8	6.56	4.65	20.89	0.90	994.36	1014.16	1025.40	1140.77
70	Other Financial (20)	273.57	+1.0	9.18	6.59	13.76	1.60	270.83	268.19	265.32	323.50
71	Investment Trusts (69)	1097.73	-0.1	–	3.71	–	1.24	1099.20	1110.74	1110.91	1169.55
99	ALL-SHARE INDEX (667)	1115.60	+0.7	–	5.10	–	2.14	1108.34	1115.14	1117.59	1131.29

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 20	Feb 19	Feb 18	Feb 15	Feb 14	Year ago
FT-SE 100 SHARE INDEX‡	2312.4	+15.6	2322.1	2291.6	2296.8	2312.4	2318.3	2296.9	2294.4	2269.2

FIXED INTEREST

	PRICE INDICES	Thu Feb 21	Day's change %	Wed Feb 20	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.05	....	121.05	1.78	1.65
2	5-15 years (31)	132.24	-0.05	132.47	1.45	2.69
3	Over 15 years (8)	141.36	-0.20	141.63	2.73	1.08
4	Irredeemables (6)	156.70	-0.12	156.89	3.33	0.00
5	All stocks (73)	131.12	-0.05	131.27	1.71	2.20
	Index-Linked					
6	Up to 5 years (2)	158.41	+0.12	158.23	0.16	1.03
7	Over 5 years (10)	145.05	-0.17	145.30	0.45	0.89
8	All stocks (12)	145.93	-0.15	146.15	0.43	0.90
9	Debs & Loans (54)	110.30	-0.06	110.37	3.02	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Thu Feb 21	Wed Feb 20	Year ago (approx.)
	British Government				
1	Low	5 years	9.24	9.24	10.94
2	Coupons	15 years	9.54	9.52	10.60
3	(0%-7¾%)	25 years	9.69	9.67	10.50
4	Medium	5 years	10.05	10.04	12.15
5	Coupons	15 years	9.92	9.89	11.01
6	(8%-10¾%)	25 years	9.85	9.83	10.62
7	High	5 years	10.22	10.20	12.27
8	Coupons	15 years	10.06	10.04	11.22
9	(11%-)	25 years	9.96	9.94	10.77
10	Irredeemables	†	9.86	9.84	10.52
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.61	3.66	4.52
12	Inflation rate 5%	Over 5 yrs.	4.12	4.10	4.01
13	Inflation rate 10%	Up to 5 yrs.	2.13	2.18	3.54
14	Inflation rate 10%	Over 5 yrs.	3.92	3.91	3.83
15	Debs &	5 years	12.07	11.90	13.51
16	Loans	15 years	11.74	11.68	12.90
17		25 years	11.46	11.46	12.90

‡Opening index 2291.6; 9 am 2298.5; 10 am 2303.7; 11 am 2309.5; Noon 2317.2; 1 pm 2321.8; 2 pm 2320.7; 2.30 pm 2320.9; 3 pm 2317.2; 4.10 pm 2312.6; (a) 1.02pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	62	18
Corporations, Dominion and Foreign Bonds	4	0	17
Industrials	422	195	939
Financial and Properties	176	127	448
Oils	21	24	47
Plantations	0	4	6
Mines	17	41	107
Others	38	70	36
Totals	684	523	1,618

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§100	F.P.	–	95	58	¢Eidos 10p	58		–	–	–	–
–	F.P.	–	18	16	¢Europe Energy 5p	16		–	–	–	–
–	F.P.	–	3825	3500	Eurotunnel Fader. Wrnts	3500	-25	–	–	–	–
–	F.P.	–	120	90	JF Pacific (New Wrnts)	120		–	–	–	–
50	F.P.	–	45	43	Trio Inv. Tst.	44		–	–	–	–
–	F.P.	–	9	6	Do. Warrants	7		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+ or -
-	-	-	86	68	Brent Walker Capital 13pc Cv Cap Bd	78	-2
‡	P/P	29/11	38p	30p	§Greenacre Group Cv. Rd. Prf. 70p	30p	
35	-	-	34½	29½	Grovewood Securities 8pc Cv Ln 2000	33½	
100p	F.P	-	103p	96p	TT Group 10¾pc Cnv. Red. Prf. 1997	102p	-1
100p	F.P.	-	110p	97p	Worcester Cnv Rd Cv Pf	110p	+3

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
15	Nil	–	2pm	2pm	¢Europe Energy 5p	2pm	
12½	Nil	–	1¼pm	1¼pm	Ptarmigan	1¼pm	
197	F.P.	–	244½	234	Tesco 5p	244½	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¢ Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 18
- Last Dealings March 1
- Last Declarations May 30
- For settlement June 10

For rate indications see end of London Share Service

Calls in Acsis, Berisford Intl., Business Tech., Colefax & Fowler, Danbury, Dares Ests., Egerton Trust, Fisons, Ford Sellar Morris, Meekatharra, Queens Moat Houses, Rosehaugh and Securiguard. Puts in Amber Day, BET, Berisford Intl., Brent Walker, T. Cowie, Eurotunnel units and Lloyds Bank. Puts and calls in Acsis, BTR wrnts. '93/94, NSM, Turriff and Tusker Res.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*510)	460	65	72	83	4	11	14
	500	34	43	59	12	24	26
	550	9	22	35	42	50	57
ASDA (*135)	120	19	25	27	3	5	7
	130	11	18	21	6	8	11
	140	6	12	–	11	14	–
Brit. Airways (*153)	140	20	21	25	4½	10	11
	160	7½	11	16	13	19	21
	180	3½	–	–	29	–	–
SmKl Beecham A (*681)	600	93	111	127	3	10	14
	650	52	74	92	13	23	28
	700	24	46	62	35	45	50
Boots (*340)	300	49	55	62	2	6	8
	330	26	32	42	7	17	18
	360	9	17	26	23	30	32
B.P. (*323)	300	29	36	44	6	10½	14
	330	10	20	25	19	24	27
	360	3	9	–	43	44	–
British Steel (*129)	120	14	16½	18½	2	5	6
	130	7½	10½	13	5	10	10
	140	3	–	–	13	–	–
Bass (*992)	950	77	102	130	16	28	37
	1000	42	72	100	35	50	60
	1050	22	49	74	70	82	88
C & Wire (*514)	460	70	83	97	5½	11	16
	500	39	55	70	14	24	30
	550	14	28	45	43	48	55
Courtaulds (*360)	330	42	47	59	4	9½	13
	360	20	29	40	14	21	24
	390	8	–	–	34	–	–
Com. Union (*520)	460	66	74	80	5½	11	17
	500	29	47	55	18	24	32
	550	9	21	34	50	53	60
GKN (*365)	330	40	47	50	11	14	18
	360	16	29	34	23	26	33
	390	6	–	–	43	–	–
Grand Met. (*713)	650	83	106	121	4½	13	16
	700	46	71	88	19	30	31
	750	19	42	61	45	51	58
I.C.I. (*1022)	1000	41	75	92	47	57	72
	1050	21	55	68	77	82	92
	1100	10	–	–	122	–	–
Kingfisher (*401)	360	53	60	68	3½	10	14
	390	30	41	49	11	20	24
	420	14	23	34	26	33	37
Ladbroke (*267)	240	33	38	47	5	10	13
	260	21	30	36	10	17	21
	280	11	18	–	20	28	–
Land Secur (*544)	500	58	67	75	3½	9½	13
	550	24	32	42	18	28	33
M & S (*238)	220	26	31	37	2½	7	9
	240	12	18	26	10	15	18
STC (*323)	300	–	–	–	¼	¼	–
	330	¼	–	–	13	–	–
Salisbury (*334)	330	21	29	39	9	15	18
	360	7	15	24	28	32	34
Shell Trans. (*460)	460	15	33	42	23	24	30
	500	3½	15	–	57	57	–
Storehouse (*113)	110	13	16	18	6	9	11
	120	5½	10	13	11	15	17
Trafalgar (*236)	220	28	30	41	9	20	22
	240	15	22	31	19	28	33
Utd. Biscuits ([illegible])	360	18	27	37	13	19	21
	390	[illegible]	12	22	35	38	42

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Unilever (*727)	700	46	77	88	18	27	32
	750	19	40	60	44	52	57
Ultramar (*316)	300	25	37	43	9	13	16
	330	12	23	28	25	30	33

Option		Mar	May	Aug	Mar	May	Aug
Elec. Pkg. (*1818)	1800	90	140	–	50	90	–
	1850	65	110	–	85	110	–
Eastern Elec (*170)	160	14½	21	24	3	6	11
	180	5	9	12	13	15	21
Southern Elec (*174)	160	18	24	–	2½	6	–
	180	6	11	–	10	12	–

Option		May	Aug	Nov	May	Aug	Nov
Brit Aero (*552)	500	60	77	85	15	19	25
	550	30	50	57	35	41	45
	600	11	27	35	67	75	80
BAA (*390)	360	52	57	65	8	13	15
	390	32	41	49	18	24	30
	420	16	25	35	35	41	48
BAT Inds (*665)	600	79	95	115	10	17	27
	650	45	63	80	25	37	45
	700	22	39	55	60	65	72
BTR (*357)	330	37	49	55	8	12	18
	360	19	30	35	22	26	30
	390	8½	17	23	43	45	48
Brit. Telecom (*305)	300	23½	30	36	8½	13	17
	330	7½	14	22	26	32	34
Cadbury Sch (*361)	360	18	30	36	20	23	24
	390	8	17	24	43	45	46
Guinness (*802)	800	45	69	83	37	45	51
	850	22	45	60	67	75	80
GEC (*210)	200	21	24	29	5½	9½	11½
	220	9	12	18	15	20	22
Hanson (*219)	200	27½	31	35	4	6½	8
	220	13½	19	24	10½	14	16
LASMO (*347)	330	35	47	55	14	16	20
	360	19	28	38	28	32	37
Lucas Inds (*156)	140	22	28	34	4	6	8
	160	9½	16	20	13	16	18
P. & O. (*576)	550	46	60	70	22	29	34
	600	18	33	45	50	56	62
Pilkington (*184)	180	19	20	27	9½	16	17
	200	9	13	19	20	28	28
Prudential (*221)	220	11½	19	24	12½	15	18
	240	4	9½	13	28	29	31
Racal (*194)	180	25	31	37	6½	10	13
	200	13½	19	26	16	19	22
R.T.Z. (*509)	500	32	47	55	30	37	35
	550	11	25	34	64	69	72
Scot. & New (*388)	360	45	53	60	8	14	17
	390	26	33	43	18	27	28
Tesco (*246)	240	–	–	30	–	–	11
	253	9½	17	–	15	17	–
Thames Water (*299)	280	33	38	40	6	13	13
	300	20	25	28	13	20	21

Option		Apr	Jul	Oct	Apr	Jul	Oct
Fisons (*423)	420	20	38	51	18	24	26
	460	7	20	31	44	48	51

Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Nat. (*245)	240	11	18	22	7	12	14
	260	4	9	14	23	24	25
Amstrad (*69)	60	10½	13	17½	2	4½	5
	70	3½	8	11	4½	7½	10

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*390)	390	14	27	33	23	30	37
	420	3½	13	21	50	52	57
Blue Circle (*256)	240	24	28	35	5	13	18
	260	10	18	25	13	23	28
British Gas (*232)	220	17	27	30	2	5½	8½
	240	5½	15	17	11	13½	19
Dixons (*168)	160	13	23	25	5	8½	12
	180	4	10	14	18	21	23
Glaxo (*930)	900	49	85	112	18	32	43
	950	18	57	82	44	54	67
Hawker Sidd. (*489)	460	42	55	68	7	24	29
	500	18	32	45	24	45	50
Hillsdown (*207)	200	17	26	32	7	15	20
	220	8	17	23	18	27	30
Lonrho (*218)	200	22	33	36	2	6	11
	220	10	21	25	10	14	18
Midland Bk (*175)	160	18	22	23	6½	10	15
	180	9	13	16	21	23	26
Reuters (*785)	750	54	93	115	22	44	55
	800	28	66	90	50	70	80
R. Royce (*153)	140	17	18	22	3	6	7½
	160	5	8	13½	9	17	18
Sears (*93)	90	6½	10	11	3½	7	8
	100	2	4½	6	9	13	15
THF (*255)	240	21	26	32	4	10	14
	260	8	13½	22	11	19	24
Thorn EMI (*681)	650	43	69	75	9	18	32
	700	14	38	45	32	43	60
TSB (*149)	140	13	18	21	2	6	7
	160	2½	7	9½	13	14	16
Vaal Reefs (*551)	50	7	11	13	4	6	8
	60	3½	6½	8½	10	12	14
Wellcome (*500)	500	25	48	65	20	30	36
	550	8	25	40	55	60	65

EURO FT-SE INDEX (*2313)

	2025	2075	2125	2175	2225	2275	2325	2375
CALLS								
Feb	291	241	191	142	95	49	18	6
Mar	308	259	212	168	125	86	54	33
Apr	323	–	230	–	147	–	81	–
Jun	350	–	266	–	190	–	128	–
Sep	380	–	303	–	233	–	173	–
Dec	415	–	342	–	275	–	205	–
PUTS								
Feb	½	1	2	2½	5	11	28	66
Mar	3	5	8	14	21	32	51	77
Apr	11	–	16	–	32	–	65	–
Jun	15	–	30	–	46	–	78	–
Sep	28	–	45	–	67	–	98	–
Dec	33	–	52	–	75	–	110	–

FT-SE INDEX (*2313)

	2000	2050	2100	2150	2200	2250	2300	2350
CALLS								
Feb	316	266	126	166	117	72	30	11
Mar	335	285	238	192	147	106	74	45
Apr	349	302	257	213	172	134	101	72
May	363	316	273	229	190	152	120	93
Jun †	372	–	283	–	205	–	135	–
Dec †	432	–	357	–	287	–	220	–
PUTS								
Feb	½	½	1½	2	3½	7	18	48
Mar	3½	4½	7	10	16	25	42	68
Apr	8	9	14	20	27	40	57	81
May	12	16	21	28	38	50	68	90
Jun †	14	–	25	–	45	–	77	–
Dec †	30	–	48	–	75	–	108	–

February 21 Total Contracts 36,817
Calls 24,526 Puts 12,291
FT-SE Index Calls 5,890 Puts 2,328
Euro FT-SE Calls 33 Puts 149
*Underlying security price. † Long dated expiry mths.

UK COMPANY NEWS - RESULTS PREVIEW

Cash flow becomes the determining factor

By David Waller and Maggie Urry

WITH UK corporate finances coming under pressure in the recession, attention is focussing on companies' ability to generate cash. It is, after all cash which pays the dividends. And since companies are essentially rated by the stockmarket on the basis of their future dividend paying potential, cash flow is a vital measure of corporate financial health.

The stock market has not in the past put much emphasis on judging companies by their cash generating ability. Analysts have traditionally assessed a company's performance in terms of a handful of simple yardsticks, with most emphasis put on the price/earnings per share ratio.

But these measures have become less reliable in recent years, as companies have become more creative in their accounting practices.

The collapse of a number of quoted companies, which from the balance sheets appeared healthy, has added to concern. As the cash squeeze on companies has tightened, many have looked to ways to conserve cash, such as cutting back on investment or squeezing their suppliers in turn.

"There have been too many surprises," reflects one analyst. "Throughout the 1980s companies tested the accounting rules to the limit. You just cannot afford to take a set of accounts on trust."

This makes a company's cash flow a more important investment yardstick. As UBS Phillips & Drew conclude in a report on the UK corporate sector's favoured accounting tricks, "whereas manufacturing profits is relatively easy, cash flow is the most difficult parameter to adjust in a company's accounts."

They add "we believe that there should be less emphasis placed on the reported progression of earnings per share and more attention paid to balance sheet potential, and most importantly of all, cash.

The problem is, as analysts at Laing & Cruickshank, the brokers, point out "the conventional description of cash flow is an optimistic measure". It is simply retained profits plus depreciation.

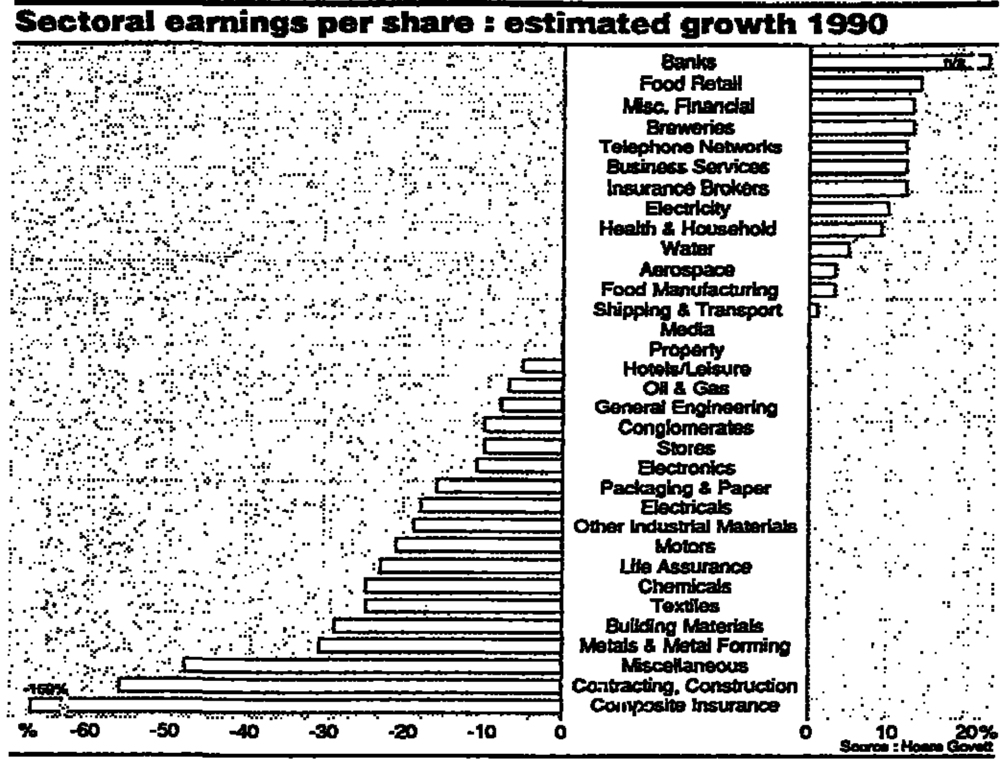
However, this figure can be boosted by non-trading items such as the profit on the sale of assets, or by capitalising interest, making the interest charge in the profit and loss account lower than the actual cash going out to a company's banks. Further the treatment of associates profits means that a company's pre-tax profits are boosted by an amount larger than the dividend which is received from the associates.

L&C has developed a system of comparing a company's trading cash flow with their profit records, and applied it to the leading quoted companies. This throws up some interesting examples. Companies which are spending heavily on expansion may appear to have fast growing pre-tax profits. But they can be draining away cash as the spend more than they earn.

Unfortunately, these attempts to look at trading cash flow are far more complex than the simple p/e. However, within a couple of months the job of assessing cash-flows should become easier when the Accounting Standards Board, the arbiter of UK accounting rules, publishes a new standard requiring companies to publish cash-flow statements instead of statements showing the source and application of funds, which show movements in all working capital rather than just cash.

The new standard has yet to be finalised but it is likely that companies will have to show cash coming from operating, investing, and financing activities. This may allow analysts to develop a new measure for rating shares based on trading cashflow.

Sectoral earnings per share : estimated growth 1990



Source : Hoare Govett

CapCo heads bad property season

By Vanessa Houlder

WHEN CAPITAL & Counties unveils its results on Monday, it will probably be the start of the worst property results season for at least 15 years.

The oversupply of property, the withdrawal of buyers from the market and the mounting recession hammered the property industry in the second half of 1990. The slump, which hit retail, office and industrial property in turn, has spread throughout the length and breadth of the country. The pain will be most acute in the highly geared traders and developers, but no company will escape it altogether.

Even the best established companies with large income producing portfolios will be hit by sliding asset values, which may tumble by as much as 15 per cent. But their problems will be modest compared with most of the traders and developers, which are likely to see some hefty provisions and sharp falls in profits.

Although everyone is agreed that the results will be bad, there is little consensus about exactly how bad they will prove to be.

"This is the biggest time of uncertainty that anyone has known in the property market," says Mr David Tunstall, analyst at Smith New Court. This is being reflected in a very broad range of estimates by brokers, who admit they may be hard pushed to get their asset forecasts to within 5 or 10 per cent.

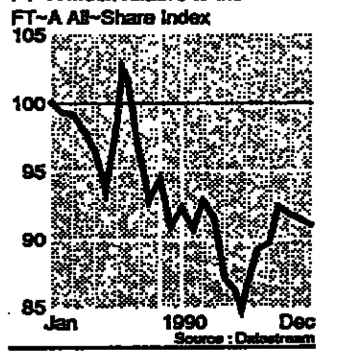
The main problem lies with the valuation process, which is being hampered by the lack of investment activity in the market. Outsiders find it hard to guess the values that will be put on buildings: some analysts suspect that surveyors will be under pressure from companies to take an over optimistic view on valuations. In addition, analysts' predictions are made more difficult by the subjectivity that affects the timing and extent of provisions.

The real picture will not emerge quickly. The property industry's results season is a drawn-out affair. Companies with a December year end, like Wates and Slough Estates will report over the next six weeks. Land Securities, the bellweather of the industry which closes its financial year in March, is expected to produce its results at the end of May.

The results season may also throw up some surprises. Marc Gilbert of County NatWest also reckons that some of the best placed companies may try and raise cash. "There has been an appetite from cash rich institutions to take up stock in safe sound companies.

Property

FT-A Index relative to the FT-A All-Share Index



Source : Datastream

Patchy outcome expected from engineering sector

By Andrew Baxter

THE PRESSURES on engineering companies – rising labour costs, the strong pound, recession in the UK and many key overseas markets – might have been expected to turn the forthcoming results season into a litany of gloom and despondency.

But while chairmen's statements will reflect all the current uncertainty over business prospects, the performance for 1990 is likely to be no worse than patchy. Some of the thorniest problems for the sector, such as the pound's strength against the dollar, are likely to show through more in the first half of 1991.

As Mr Andy Chambers of the Nomura Research Institute points out, the UK manufacturing downturn only began in the second half of 1990, and companies with a relatively higher exposure to consumer markets, such as Glynwed International, felt pressure on profits start earlier in the business cycle.

According to the Engineering Employers' Federation, between half and three quarters of the UK's 5,000-plus engineering companies are publicly-quoted, but the large public companies are less exposed to the UK recession than their smaller, private, counterparts.

Over the 1980s, the big UK companies – especially those in aerospace – made a determined effort to expand US manufacturing, reducing their dependence on the UK and balancing their dollar sales with costs incurred in the US currency.

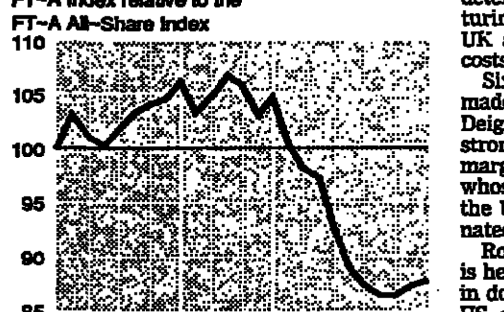
Sixty per cent of engineering sales are made outside the UK, according to Mr Pete Deighton of County NatWest. However, a strong pound will inevitably hit the trading margins of those big exporters to the US whose manufacturing base is primarily in the UK, or which operate in dollar-denominated sectors.

Rolls-Royce is a case in point, although it is helped by a programme of sourcing parts in dollars and the very low exposure to the US currency of its Northern Engineering Industries heavy equipment subsidiary.

Conversely, the companies which do manufacture in the US feel the effect of a weak dollar when they translate their US sales back into sterling at year-end. An example here is Siebe, which in July paid \$656m for Foxboro.

Mechanical Engineering

FT-A Index relative to the FT-A All-Share Index



Source : Datastream

A year of disaster for the UK's composite insurers

By Eric Short

DISASTER struck UK composite insurance groups in 1990.

The extent of the damage will be revealed next week when three of the five quoted composites report their results for last year – Commercial Union and General Accident on Wednesday and Royal Insurance on Thursday.

But there is little doubt that the series of natural and man-made disasters occuring in 1990 hit the composites with the force of several hurricanes.

Analysts are forecasting the five companies to run up pretax losses well in excess of £600m – losses never before experienced by UK composites even when stated in real terms – though CU could just scrape into the black.

Gone are the days when investment income on the substantial reserves could cover underwriting losses – the excess of claims paid and expenses incurred over premiums received. Premiums are now too low because of competitive pressures and claims too high and widespread.

The composites' main disaster area last year was not the US or Australia with its drought and fires, but their home territory, the UK – hit by a series of disasters.

The storms in January and February cost composites almost £2.1bn – more than any damage cause by a US hurricane. The long dry summer will cost at least £800m in subsidence claims – more than the cost of drought in Australia.

On top of those natural disasters, commercial fires losses, some man-made, soared last year, while motor losses, almost entirely man-made, continue to climb steadily.

UK underwriting losses for the five composites could exceed £1.4bn in aggregate.

In contrast, trading conditions in the US and other overseas territories look buoyant by comparison. Underwriting losses in the US, for decades the main problem area for composites, could be about £500m for 1990.

The immediate future for the composites looks brighter only because last year's results were so bad.

The premium rate increases made this year for the UK business are totally inadequate to cover a repeat of 1990's experience. The weather so far been an improvement on last year, but composites are paying double or even treble for their reinsurance cover.

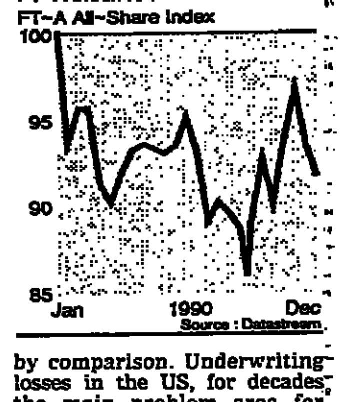
The US and Canadian experience is expected to worsen, while competitive conditions will remain intense in continental Europe ahead of a single insurance market. And with interest rates expected to fall, investment income growth will be sluggish.

As a result, composites are expected to record further pretax losses in 1991, albeit at a very much lower level.

Nevertheless, composites' balance sheets remain so strong that these adverse trading conditions, which would have killed off many industrial companies, will not stop them paying unchanged or even higher dividends to shareholders. Retrenchment will come next year.

Insurance composite

FT-A Index relative to the FT-A All-Share Index



Source : Datastream

Little cheer likely from the bruised and battered retailers

By John Thornhill

THE retailing sector, which has been ravaged by recession, buffeted by bad weather and crippled by rising costs, is in a sorry state and the forthcoming results season is likely to provide little cheer.

A clutch of companies spanning several sectors is due to report results next month and all, save the food retailers, are expected to confirm just how dire life has become on the high street.

As the latest sets of statistics from the Confederation of British Industry and the government have recently suggested, the fashion retailers are facing some of the harshest conditions. Etam, Laura Ashley and Next are only likely to confirm that truth when they report their end of year results in the following months.

Next, which has agreed to sell its Grattan mail order division to Otto Versand of Germany for £140m, will in the next few days release its results with the circular detailing the proposed sale. The company is expected to show only a slim profit.

Burton Group, which owns a host of fashion outlets, is likely to report a dismal set of interim figures and later in the season Sears, too, is expected to show the effects of sickly trading.

Two of the City's favourite retailing stocks, Argos, the catalogue retailer, and Kingfisher, the DIY and chemists chain, may provide evidence that clever management can deflect the worst blows the recession throws at them.

Although neither will entirely evade the general trends in the industry, both are expected to show robust performances.

Iceland, the food retailer which is still in the process of digesting Bejam, may see some erosion to its margins, although Tesco, which sketched in its results at the time of last month's £572m rights issue, is still trading very solidly.

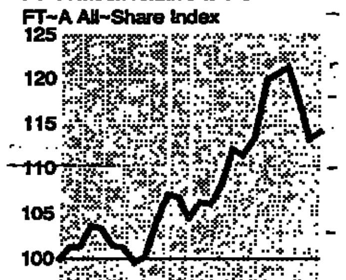
This results season may, however, lead to a re-assessment of the stores sector's relative attractions for investors. The sector rallied strongly in 1990 in anticipation of a lowering of interest rates and an easing of trading conditions this year. But the steepening recession and the troubles that many retailers are experiencing at present suggest the rise was probably premature.

All eyes will now be fixed on the fine print of the chairmen's statements and the evidence that they provide for future prospects.

"If next Christmas looks as though it's going to be bad people will be getting out of the sector pretty damn quick," says one analyst.

Stores

FT-A Index relative to the FT-A All-Share Index



Source : Datastream

Lloyds to kick off a dismal banking season

By David Lascelles, Banking Editor

LLOYDS BANK today launches what is likely to be a dismal round of clearing bank results. The UK recession will take a heavy toll in bad debts, and the poor economic outlook will add to the sense of gloom.

Analysts have had a hard time forecasting just how bad the position will be.

For one thing, comparisons with 1989's results are complicated by the huge losses which some banks recorded that year as they cleared out their Third World debt problems.

For another, the 1990 results will depend on just what provision bankers feel they should make against bad debts, and that is more of an art than a science.

So some banks might actually show higher profits, but that could be misleading.

For example, in the case of Barclays, the largest UK clearer, analysts' forecasts range from £672m to £950m – a difference of nearly £300m.

The lower forecast represents a decline from the previous year's £692m, while the higher marks an increase of over a third.

But Barclays made provisions of nearly £1bn against Third World loans last time, and might have to do as much again against UK debts this time round.

The range of forecasts is particularly pertinent in the case of Midland, the weakest of the clearers, where it makes a difference between red and black ink.

Midland could report a loss of over £100m, or a small profit depending on the impact from bad debts and its notoriously ill-balanced treasury book.

There is more certainty about the outcome at NatWest because the bank has already reported the results of its big US operation: these showed a record loss of \$352m (£178m) because of real estate problems.

NatWest will also report a poor result at County, its investment banking arm, in view of the state of the securities markets.

The range is narrowest in the case of Abbey National, the UK's newest clearer where the concentration on the personal lending and mortgage market has protected it from the ravages of bad business debts.

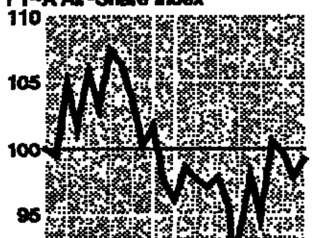
The biggest unanswered question is over dividends. Traditionally, the clearers try to raise their pay-out faster than inflation, but this year's poor prospects make that less certain.

Earlier this week, Sir John Quinton, Barclays chairman, warned that banks which pay out too much could frighten off their depositors.

The stock market has speculated that Midland might be forced into being the first clearer to cut its dividend; but most analysts believe it will baulk at such a dramatic step, and leave the pay-out unchanged.

Banks

FT-A Index relative to the FT-A All-Share Index



Source : Datastream

PRE-TAX PROFITS(£m)

	1989 Actual	1990 Forecasts*
Abbey Nat	501	560-585
Barclays	692	672-950
Lloyds	(715)	584-764
Midland	(261)	(102)-10
NatWest	404	400-650

*Sources: BZW, Shearson Lehman, UBS Phillips & Drew, Morgan Stanley, Smith New Court, SG Warburg Securities, Credit Lyonnais Laing, Salomon Brothers, Kleinwort Benson Securities.

UK COMPANY NEWS

GrandMet sells Pizzaland and Pastificio for £20m

By Philip Rawstorne

GRAND Metropolitan, the food, drinks and retailing group, yesterday sold two UK restaurant chains, Pizzaland and Pastificio, to BrightReasons, a company founded last year by Mr Michael Guthrie, former chairman and chief executive of Mecca Leisure.

City estimates valued the deal at £20m.

GrandMet also announced that discussions were progressing with prospective buyers of its Perfect Pizza chain in the UK, Wienerwald chicken restaurants in Germany, and Spaghetti Factory outlets in Switzerland.

The moves reflect GrandMet's strategy, reinforced by the recession, of tightening the focus of its retailing operations.

Mr David Tagg, a GrandMet director, said yesterday:"Over the past 18 months we have been taking action to focus on retailing and property priorities which can generate our profit growth target in the coming years.

The 101 Pizzaland restaurants sold yesterday were acquired with Perfect Pizza, the home-delivery chain, from United Biscuits in 1989.

Like the 35 Pastificio fresh pasta outlets, they are mostly leasehold sites.

The restaurants are the first acquisitions by BrightReasons, which is backed by Mercury Asset Management and Samuel Montagu.

Mr Guthrie said yesterday that some of the Pastificio sites would be converted into Pizzaland outlets and a new brand would be introduced into the rest.

The Pizzaland brand, which had been on UK high streets for 21 years, would be redesigned and up-dated.

Perfect Pizza has 160 outlets, most of them franchised. The Wienerwald chicken restaurants in Germany comprise just under 200 outlets, half of them franchised.

GrandMet bought them in 1988, when it also acquired Spaghetti Factory with eight outlets in Switzerland and one in Germany.

Sharp fall to £3.9m at Ward Holdings

By Andrew Taylor

WARD HOLDINGS yesterday became the latest housebuilder and commercial property developer to announce a sharp fall in pre-tax profits.

The group said that profits during the 12 months to end-October had fallen by 45 per cent from £7.22m to £3.93m. Turnover fell from £63.4m to £52.33m.

Earnings per share dropped from 8.5p to 4.7p. The company said it would pay an unchanged final dividend of 2.1p. The total distribution was unchanged at 2.6p.

Most of the slide in profits occurred in the group's commercial property division where profits fell by almost half from £6.81m to £3.52m.

Housebuilding profits, by comparison, remained virtually static at £1.03m compared with £1.04m in the previous 12 months.

Ward, which is based in south-east England, said that housebuilding and commercial property markets in the region were the most challenging in memory.

It remained cautious about the outlook for these markets but said: "The likelihood of falling inflation and lower interest rates in the relatively short term bodes well for the return in due course of better performance from the housebuilding sector."

The company warned, however, that first half results would continue to reflect the downturn in property markets.

There was considerable pent-up demand for housing which would be released when economic conditions improved.

It said its commercial property interest in Kent would gain from the completion of the Channel tunnel and a new bridge being built and financed by Trafalgar House across the River Thames at Dartford.

Alfred McAlpine subsides 61% to £9.2m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Alfred McAlpine, the construction, housebuilding and property group, fell by 61 per cent from £23.64m to £9.21m during the 12 months to October 31.

Mr Graeme Odgers, chief executive, announced below the line provisions of £29.48m, some £20m of which was to cover a sharp fall in the value of the group's investment in Warringtons, a commercial property company.

Warringtons said it was having discussions in order to refinance its business. McAlpine acquired 37 per cent of the shares following the sale of its commercial property interests to Warrington in June 1988.

A further £7m of provisions were to cover a write-down in the value of housebuilding land. Other provisions covered the cost of closing housebuilding activities in the US, a concrete block making business in south-west England and a Scottish contracting business.

Mr Odgers said that he expected profits to improve in the current financial year although results for the first half would be poor.

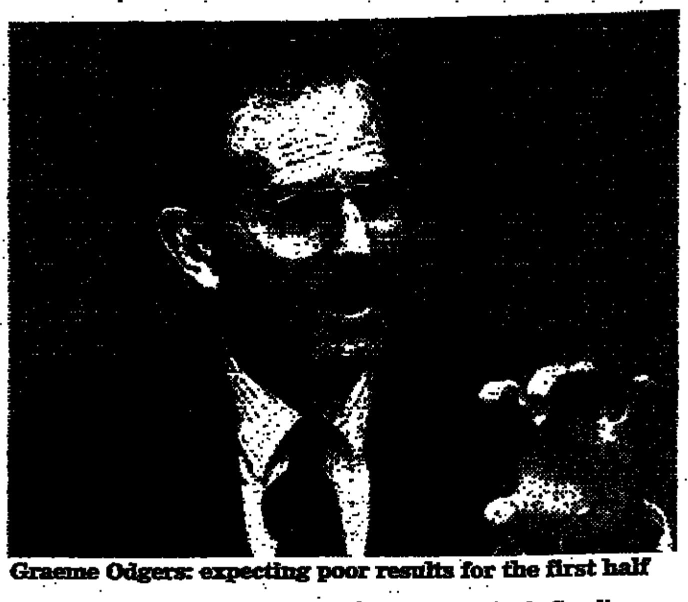
Housebuilding, after the provisions, moved from an £18.63m profit in 1989 to a £1.94m loss last year.

Contracting profits, following the elimination of loss making contracts in previous years, jumped from £4.29m to £13.29m.

US profits were down slightly from £4.1m to £3.93m with a poor result from quarrying offset by the contracting business in North Carolina.

Quarries had generally performed well, Mr Odgers said, but there had been problems in opening a new face at the group's slate quarry in Wales. It had also been an "appalling year" for concrete block making.

Turnover showed little change at £677.76m (£666.28m).



Graeme Odgers: expecting poor results for the first half

The proposed final dividend is halved from 11.6p to 5.8p for a total of 10.3p (16.1p) for the year. Earnings per share dipped to 20.9p (31p).

● **COMMENT**

The classic response of a new management is to put as much pain as possible into the first year's results. Poor figures can always be blamed on the previous management and the ground has been laid for a recovery the following year, for which the new management can take credit. This cynical response to yesterday's figures is perhaps a little unfair to Graeme Odgers. The sharp rise in McAlpine's share price yesterday indicates that the market not only believes that the bottom has been reached in the company's chain of disasters but that management changes made by Mr Odgers will bear fruit. The group, having eliminated potential losses by a process of closures and making provisions on housing land, should be capable of making £12m this year. An encouraging start has been made by the new team but they still have to show they can perform over the long haul.

Lonrho chief's remuneration raised 16% to over £1.5m

By Maggie Urry

MR TINY Rowland, chief executive of Lonrho, the international trading group, saw a 16.2 per cent rise in his remuneration last year to £1.53m.

At the year end he also held 92.1m Lonrho shares, 14.4 per cent of the total in issue, meaning that his dividend receipts would have approached ten times his earnings from the group.

During the year Lonrho's pre-tax profits rose by the same percentage as Mr Rowland's earnings, if exceptional profits on whisky stocks are excluded from the previous year's figure. However, earnings per share only rose by 2.6 per cent to 23.6p.

The figures are revealed in Lonrho's annual report, issued yesterday.

The salary increase means that Mr Rowland has overtaken Lord Hanson, chairman of Hanson, who was formerly said to be the highest paid UK company director. Lord Hanson suffered a slight fall in his salary during the 1989-90 year to £1.45m.

The accounts show that Lonrho's net debt stood at just under 60 per cent of shareholders' funds at the year end. The group had cash balances of £355m, of which Mr Rowland said, "90 per cent is banked in Europe or the US." This could be seen as a response to the "where's the cash?" question posed by the Fayeds, the brothers who took over the House of Fraser stores group in 1984, angering Mr Rowland in the process.

● Lonrho said yesterday that it had "no comment" to make about speculation in a Swiss newspaper that the group was negotiating a deal with Mr Werner Rey, the Swiss financier, and his Omni group. The two companies both have links to Asko, the German retailer, in which Lonrho has a 10 per cent stake.

See Lex

PROFIT BY ACTIVITY (£m)

	Yr to Sept 1990	Yr to Sept 1989	% change
General trade	40	26	+53.8
Motor and equipment distribution	49	45	+8.9
Manufacturing	20	35	−42.9
Mineral extraction and refining	99	67	+47.8
Leisure	20	56	−64.3
Agriculture	23	18	+27.8
Financial services	22	26	−15.4
Total	273	273*	

* Includes £38m profit from sale of whisky stocks

Pentland Group plans series of acquisitions

By Alice Rawsthorn

PENTLAND GROUP plans to stage a series of acquisitions in the field of international branded consumer products following its $616m (£316m) deal to sell its stake in Reebok back to the US sports shoe company.

Pentland's 31.6 per cent holding in Reebok, best known for its Freestyle aerobics shoes and the Pump basketball boot, has been on the market since June last year.

However, Pentland, which originally invested in Reebok by ploughing $77,500 into the company back in the early 1980s, announced in August that it was suspending active marketing of the stake because of the sluggish state of the world stock markets.

The possibility of Reebok buying back the stake was first discussed last spring but the two companies could not agree on price.

Mr Frank Farrant, Pentland's finance director, said "a number of possible purchasers" had expressed interest in the Reebok stake.

Pentland is now looking for suitable acquisitions. Mr Farrant said it was interested in companies, possibly in clothing or footwear, similar to Speedo, the international swimwear business it recently acquired in a complex series of deals for $135m.

Mr Farrant said Pentland had no acquisitions in its sights at present.

See Lex

Cheltenham & Gloucester considers possible merger

By David Barchard

CHELTENHAM & Gloucester, the sixth largest building society, yesterday disclosed that it has considered mergers with two other leading UK building societies and hopes to undertake further takeovers of smaller societies this year.

The society expects the number of UK building societies to dwindle rapidly from 100 to about three dozen in the next three to five years.

Mr Andrew Longhurst, C&G chief executive, said that he had held merger talks last year with National & Provincial in the wake of its decision not to go ahead with a stock market flotation.

"The cultures of the two societies didn't fit," he said, and added that he was still considering a possible merger with Leamington Spa, the twentieth largest society.

Leamington Spa is among the societies worst hit by mortgage arrears problems and is poised to become the first large building society for many years to declare a loss.

"We would only agree to a merger with Leamington Spa if were were sure that it would not hurt us," Mr Longhurst said.

He was speaking after announcing one of the best annual results in the building society industry in recent years. Pre-tax profits at C&G jumped by 34.2 per cent in 1990 to £144.7m.

Hughes Food chairman resigns

MR JOHN Hughes, founder of Hughes Food Group, resigned yesterday as chairman of the Humberside food supply and services group. He had already given up executive duties.

The USM-traded company said Mr Hughes intended to concentrate on private interests, including the GB brewery in Liverpool, and G Barraclough, a Yorkshire soft drink manufacturer.

Last year, Mr Hughes agreed to pay Hughes Food £5.25m in instalments over 2¼ years in return for its giving up an option to buy Barraclough.

Mr Hughes, who was paid £152,094 in 1989-90, will receive no compensation, according to Mr Henry Roberts, chief executive and acting chairman. He will be paid £100,000 on March 31, as already disclosed. Mr Hughes has given no commitment about his 29 per cent stake.

The shares closed unchanged at 5¾p.

Hughes Food has begun to sell non-core business. The trading results of these operations will be treated as extraordinary when it reports its interim results for the six months to October 31.

DIVIDENDS ANNOUNCED

Alumasc ....int	3.2	Apr 15	2.85	-	9
McAlpine (A) ....fin	5.8	Apr 17	11.6	10.3	16.1
Merlin Intl ....fin	1.5	Mar 28	-	4.25‡‡	-
Stainless Metal§.........fin	1	Apr 18	1	1	4
Taveners ....fin	1.5	Apr 4	1.5	1.5	1.5
Tribune Inv Tst ....fin	4.2	Apr 10	4.35	5.9	5.2
Ward Holdings ....fin	2.1	-	2.1	2.6	2.6
York Waterworks ....int	4☆	Apr 2	-	6‡	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Second interim. ‡Total so far. ‡‡Includes special inaugural dividend of 1.25p.

NEWS DIGEST

LMB declines to £12.4m

LLOYDS MERCHANT Bank, the merchant banking arm of Lloyds Bank, earned £12.4m before tax last year, marking a small decrease from the previous year's £12.8m. However, the result did not include the £1.6m cost of relocating the bank to new premises in the City.

Mr Brian Pitman, group chief executive, said the result again enabled LMB to increase its contribution to the Lloyds Bank dividend. This year it is being increased from £10m to £12m. However, since LMB's profit attributable to shareholders was only £11.5m, this entailed a transfer out of reserves of £468,000.

Last year, LMB contributed about 6 per cent of Lloyds' payout.

Lloyds Bank will be reporting its group results today.

Cost controls help Alumasc to £2.77m

Alumasc, the beer keg, aluminium guttering and precision components manufacturer, weathered a fall in demand to increase interim profits by 25 per cent.

The pre-tax outcome for the half year to December 31 rose from £2.22m to £2.77m in spite of a fall in turnover to £22.3m (£25.3m). The interim dividend is increased to 3.2p (2.85p), payable from earnings of 14p (11.7p) per share.

The rise in profits reflected tight cost controls and efforts to conserve cash.

Abingworth plans for liquidation

Abingworth, the high technology venture capital company, is continuing to increase liquidity in anticipation of its closure this year. Directors said they intended proposing at this year's annual meeting that the company be placed in voluntary liquidation.

Mr Anthony Montagu, chairman, said that a high and increasing proportion of the portfolio was held in gilts and other readily realisable assets. That would enable a liquidator to make a substantial distribution at an early date after the appointment.

The net asset value at December 31 was 361p, against 358p a year earlier and 379p at June 30. Net revenue for the six months to end-December was £427,000 (£51,000) for earnings per share of 2.09p (0.25p).

ECU Trust lifts net asset value

The ECU Trust, which was launched at the end of July 1990 with a net asset value per share of 47.8p had a net asset value per share of 48.1p at December 31.

Net revenue for the five-month period amounted to £372,000 for earnings per share of 1.24p. Mr Thomas Griffin, chairman, said that the single final dividend would be a minimum of 1p. Any further distribution would be paid as a special dividend.

Lower margins in timber side hit SWP

SWP Group, a USM-quoted maker of building industry components, reported taxable profits 7 per cent lower at £520,000 in the six months to December 31. The result compared with £561,000.

The Worcestershire-based company said that there were reduced margins in the timber division and interest charges had increased to £54,000 (£6,000) resulting from an earn-out payment.

Turnover increased from £4.93m to £5.21m. Earnings per share came out at 1.4p (1.58p).

Stainless Metalcraft second half recovery

Stainless Metalcraft, the medical and engineering group, returned to profitability in the second half, reducing the pre-tax loss from £256,000 at the midway stage to £140,885 at the August 1990 year end.

The result was struck on turnover unchanged at £8.1m and compares with profits of £907,667 last time.

Losses per share amounted to 2.2p (earnings 10.6p) and although there was no interim dividend this year the final dividend is maintained at 1p – a special dividend of 3p was paid last year making a total for the year of 4p.

Stronger second half at Taveners

Shares of Taveners jumped 15p to 60p yesterday after the Liverpool-based confectionery manufacturer, which had earlier warned of a likely loss for the year, turned in taxable profits of £81,000 for 1990 and maintained its dividend.

At his interim statement last September, Mr William Tavener, chairman, warned that a mechanical failure on the company's marshmallow production line had had a serious effect on the group.

However, the impact – estimated to have cost Taveners some £100,000 – was ameliorated by a strong sales performance in home and export markets over the second half.

The pre-tax outcome, which compared with profits of £287,000in 1989, came on turnover ahead 20 per cent to £12.73m (£10.61m). Exports expanded by some 24 per cent, although this mainly reflected the launch of products in Sweden and Finland.

The single dividend is held at a proposed 1.5p, payable from earnings of 2.3p (9.41p) per share.

Net asset value falls 20% at Tribune

Net asset value per share of Tribune Investment Trust stood at 233.9p at the end of 1990 – a decline of some 20 per cent over the year.

Net revenue improved to £3.9m (£3.47m) for earnings per share ahead from 6.78p to 7.61p. The recommended final dividend is 4.2p for a total of 5.9p (5.2p).

York Waterworks improves to £1.8m

Profits before tax of the York Waterworks Company expanded from £1.07m to £1.77m over the 12 months to December 31. Turnover improved by £911,000 to £6.11m.

The current period covers 15 months and a second interim dividend of 4p is being paid from earnings of 17p. Tax rose to £368,000 (£170,000).

Greenall Whitley profits warning

Mr Christopher Hatton, chairman of Greenall Whitley, the pubs, hotels and property group, yesterday warned shareholders that profits from its hotel operations in the current year would fall short of the previous 12 months.

Speaking at the group's annual meeting in Warrington, Mr Hatton said that although the division does not rely as much on tourism as other companies, it is heavily dependent on the business and conference market – under pressure recently as businesses cut back on discretionary expenditure.

Hotel occupancy rates for the first four months fell by some 6 percentage points to 57 per cent although that compared with a buoyant equivalent period last year.

Mr Hatton was optimistic, however, that the pub side would have a satisfactory year in spite of the recent poor weather. The run-up to the closure of Greenall's breweries, confirmed for March 1, had proceeded with no sizeable problems.

Unilever considers sale of 4P Group

Unilever said it would consider selling 4P Group, its German and French packaging company, if a suitable offer was received. 4P has annual sales of more than DM1bn (£350m).

TECHNOLOGY

Software that fits the bill

Everyone knows computer systems cost money. What is difficult to evaluate, however, is which information technology equipment will make your company more profitable.

PA Consulting Group, the technology consultancy, has developed a piece of software which it believes will enable companies to produce a case for IT investment which is considerably more credible than the hunches and educated guesses previously used.

The PA software is designed to calculate the business benefits to be derived from "customer facing systems". As Graham Christian-Phillips, client manager at PA, points out, systems that deliver better services to customers can be anything from point-of-sale equipment in banks or shops to back office systems if the the customer is, say, a wholesaler.

Central to the PA approach is the identification of the "key buying factors" which affect why customers buy one product instead of another. Christian-Phillips cites the example of a loan for purchasing cars. The factors which influence the car retailer's choice of one package rather then another might be the interest rate, the ease of application and the speed of decision.

It may be acceptable for the finance house to take 10 minutes to check a potential car buyer's credit. However, if customers have to come back the next day to find out if the loans have been approved they may go shopping elsewhere in the meantime.

As Christian-Phillips points out, this demonstrates that although the finance house needs to respond within minutes, it does not need to invest in more expensive computers which give the response in a matter of seconds.

The PA software runs on anything from a laptop PC upwards, so the software can be taken to local sites to get customer information. It incorporates a model known as conjoint analysis which, when fed with data on the market, customers and competitors can calculate the appropriate IT response.

Della Bradshaw

Paul Cheeseright appraises the state-of-the-art acoustics of Birmingham's new concert hall

The sound of music

Simon Rattle will raise his baton for the first chords of Stravinsky's Firebird. The City of Birmingham Symphony Orchestra will respond. For the first time, in April, the public will hear the sound of music in what is claimed to be the world's most acoustically sophisticated concert hall.

This hall, at the International Convention Centre in Birmingham, bears a strong resemblance to the Morton H. Myerson Symphony Centre in Dallas, Texas, its immediate predecessor in terms of modernity. Both have the stamp of their common acoustic designer, Artec Consultants.

Artec designed the Dallas hall in 1981 and started work on the Birmingham hall in 1983. The two years made a difference in the way the best available acoustics were created, and this difference springs both from an enhanced knowledge of the way sound behaves and from the development of computer software programs.

Acoustics is concerned with the way sound reflects in a room, how it bounces off the walls and the manner in which it reaches the ears of the listener. The science of acoustics in the concert hall is the use of a room to deliver a sound. Hence the architecture of a concert hall these days is dictated by its acoustic design.

The aim of acoustics is to make the listener feel part of the music. "The sound of the great concert hall is an enveloping sound," says Nicholas Edwards, the Artec man in charge at Birmingham. That means that the listener needs the sound from all angles.

"Sound which comes from the front defracts round the head and produces identical signals," he notes. So it does coming from the back or from behind. "But sound from the side arrives in one ear, defracts round the head and arrives in the other ear. It creates a sense of envelopment. So we're looking for what room shapes promote the lateral sound."

The biggest question for Artec as it approached Birmingham's acoustic design was the size and shape of the hall. It had been established that a simple rectangular room like the Concertgebouw in Amsterdam or the Boston Symphony Hall worked well for music. But, explains Edwards, "until the 1970s there was very little in the science that could offer an explanation as to why rectangular rooms worked well."

It had also been well established that a fan-shaped room, where the orchestra sits at the base, at the narrowest point of the fan, had problems. Such halls had been constructed in the US during the 1950s and 1960s. The back wall – the wide point of the fan – had to absorb sound in order to prevent an echo coming back to the stage. "The sound is pretty well all frontal," Edwards comments. "It becomes thin, it has little presence, the listener doesn't feel enveloped."

So the trick, for Birmingham, was to find a shape for the hall which took the rectangular shape, frequent in 19th century concert halls, and refine it with the help of tools unknown a century ago.

With the aid of computer design it is possible to trace the movements of sound once it has been created on the stage. The sound is reflected off walls and other obstacles or is deadened, absorbed, by them. A listener may receive sound from the front and from 30 different angles. So far the computer can cope with what are called third-order reflections: that is, the software can trace the effect of sound after three bounces. This is the new approach which Artec adopted at Birmingham.

The software it used in the design of the Myerson hall used second-order reflections – two bounces. But that, in its stead, had been an advance on the Royal concert hall in Nottingham, an earlier Artec design from 1979, where a single-order reflection was used.

The result of these calculations is a concert hall which looks oval in shape because of the curve of the three levels of galleries above the stalls but which, acoustically, is a reverse fan. That is, the side walls are parallel for some three quarters of their length but then move inwards at an angle of 18 degrees. By contrast with the halls of the 1950s and 1960s, the orchestra sits, not at the base, or narrowest part of the fan, but at the wider part of it.

The numbers in the audience will not be vastly more than those who attended concerts in the old Birmingham Town Hall, traditional home of the City of Birmingham Symphony Orchestra – 2,200 against 1,750. "You can't just build a 5,000-seat hall," notes Edwards. Sound is a limited resource. The wider it is dispersed, the more it dissipates in its intensity. "The sound would be thin if distributed to all."

Even in a hall for 2,200 there are problems in conveying the music to the listener in the way originally envisaged by the composer. The hall has to accommodate the loud passion of Mahler, with his occasional use of massed choirs, and the intimate quality of a Mozart composition aimed at a drawing room audience. So, in effect, the room has acoustically to change shape.

This is done in two principal ways. First by the use of a canopy over the stage. Second by the use of reverberation chambers which run down the parallel sides of the hall to the point where they angle inwards.

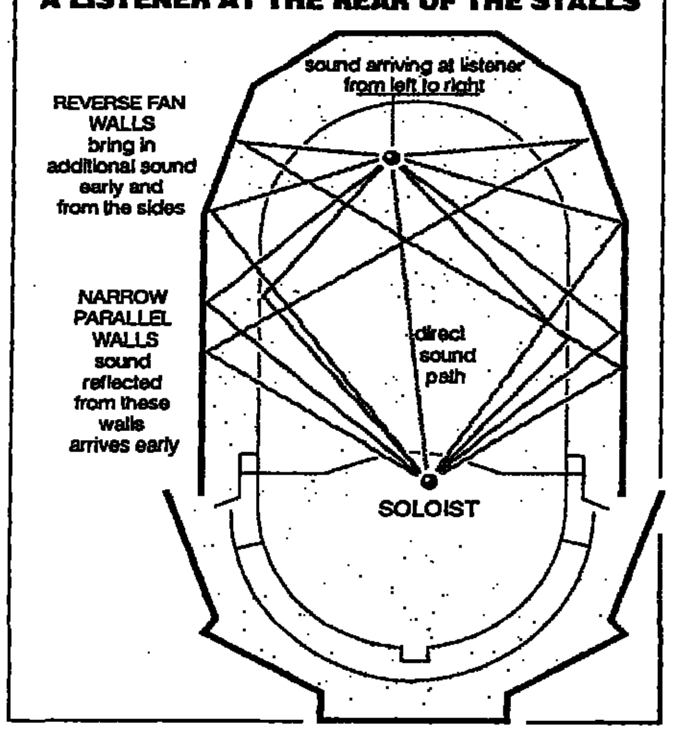
The canopy, weighing some 35 tonnes, moves up and down as a ceiling above the orchestra. The reverberation chambers, like caverns on the face of the walls, provide half as much cubic capacity again as the hall itself.

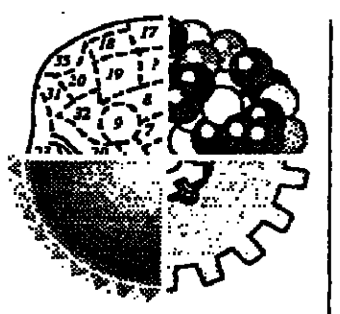
Designed to create clarity, the chambers permit the sound to reverberate so that there is what Edwards calls "a persistence of sound". They open and shut depending on the music: for the lightness of early Beethoven symphonies they would be closed, for the intensity of Bruckner they would be open.

Canopies have frequently been used in the past, but reverberation chambers have not hitherto been used in the UK. But setting the level of the canopy and deciding how to use the chambers will demand new technical skills of the orchestra conductor.

When Artec departs from Birmingham, it will leave a set of working instructions. Just as the leader tunes the orchestra, so now will the conductor have to tune the hall.

SOUND PATHS BETWEEN A SOLOIST AND A LISTENER AT THE REAR OF THE STALLS





WORTH WATCHING

by Della Bradshaw

Mobile hospital built in a hurry

SMALL Danish company Medana has developed a mobile, 100-bed, surgical hospital which can be in place and functioning within 31 days of an order being given, writes Hilary Barnes.

The fully-equipped hospital, which costs $3m, consists of specially designed containers, each of which can be fitted on to the others. The floor space per container is 14 square meters. In an emergency, the container comprising the operating theatre can function on its own.

Unlike emergency hospitals using tents, the hospital and its equipment are stationary. The hospital has its own power generation and water purification equipment, and the air filtration and hygiene standards mean that it could withstand a chemical weapons attack.

An important selling point is that Medana has signed agreements with several multinational medical equipment companies, including Philips and Rhône-Poulenc, which means that in almost every country in the world there will be back-up on the equipment.

Peanuts worth their salt

The loose polystyrene packaging "peanuts" which prevent fragile items from being broken in the post are now being replaced by an environment-friendly alternative.

The National Starch and Chemical Corporation, of New Jersey, has developed a substitute foam which is more than 95 per cent cornstarch topped up with poly-vinyl alcohol, a water-soluble organic polymer. Disposing of the packaging is as simple as tossing it on the compost heap or even flushing it down the sink.

In the US and Canada, the biodegradable Eco-Foam peanuts are manufactured by American Excelsior, of Arlington, Texas, using the extrusion technology used to make some savoury snacks. The cornstarch mixture is heated and forced under pressure through the extruder. As the substance moves out of the high-pressure area to ambient pressure, water contained in the mixture forms steam and blows up the material into lightweight pellets.

No room for high heating bills

CUTTING the domestic or office heating bill is a perennial concern. One company – Electroboss, of Harpenden – has developed a system which, it claims, cuts the cost of electric panel heating by about 20 per cent.

Because no two rooms heat up in the same way – wooden furniture will absorb more heat than metal furniture, for example – the Electroboss system has a sensor built into each panel heater which is adjusted for each specific room. Once set, the sensor calculates when to turn off the heater as it approaches the required temperature – the room will continue to heat up after this.

In addition the central controller, which is linked to the sensors via the ring mains, can designate that rooms should be heated to different temperatures and at different times of the day. The Electroboss system can also be programmed to exploit the availability of cut-price electricity, and to turn the water heater or cooker on and off.

A system for a three-bedroomed semi-detached house, including the panel heaters, would cost less than £1,000 to the builder. The British Technology Group is looking for overseas licencees.

Computer gets its bearings

THE DESIGN of bearings which support the rotating parts of an engine can be analysed for wear in about 15 minutes using an award-winning software program run on a Vax 8800 computer, writes Lynton McLain. This compares with 35 hours using a more traditional program.

David Fenner, from King's College, London, won the university/college category of the Toshiba Year of Invention competition, organised by the Design Council for his technique for analysis of engine bearings. The speed of analysis is achieved by new ways of solving the mathematical equations involved in analysis programs.

The program, called Elan, enables designers to take account of the change in shape of a bearing from round to oval as an engine heats up and to diagnose why there might be excessive wear in one part of a bearing. It also shows the minimum thickness of oil required to lubricate bearings for maximum life.

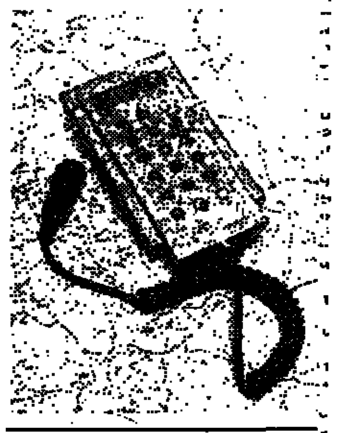
SOS signals for stranded drivers

ANYONE whose car has broken down knows the inconvenience, and possible danger, of having to walk to the nearest phone to summon help.

To minimise the difficulties, the motoring organisation RAC has launched a prototype car-carried transmitter which can guide the rescue team to within 50 metres of the vehicle.

The system comprises a push-button display unit in the passenger compartment connected to a transmission unit in the boot. It uses the Datatrak radio network of low-frequency transmitters to work out the vehicle's grid reference by comparing the strength of the signals from three or four transmitters.

The RAC is hoping to get the equipment on to the market for under £150 a year.



Contacts: Medana: Denmark, 31 38 38 68. National Starch and Chemical Corporation: US, 201 685 5343. American Excelsior: US, 817 640 1555. Electroboss: UK, 0582 761 985. British Technology Group: UK, 071 403 6666. King's College London: UK, 071 836 5454. RAC: UK, 0272 732201.

FT LAW REPORTS

Director's disqualification case goes ahead despite short notice

SECRETARY OF STATE FOR TRADE AND INDUSTRY v LANGRIDGE

Court of Appeal (Lord Justice Nourse, Lord Justice Balcombe and Lord Justice Leggatt): February 12 1991

LATE SERVICE of a 10-day notice of intention to apply to a winding-up court for disqualification of a director, is breach of a directory, not a mandatory, statutory requirement, and is accordingly a procedural irregularity which does not nullify the application.

The Court of Appeal so held when allowing an appeal (Lord Justice Nourse dissenting) from Mr Justice Mummery's decision to strike out an application by the secretary of state for trade and industry for an order disqualifying Mr Graham John Langridge as a director. It was unnecessary to deal with a cross-appeal by Mr Langridge from the judge's decision granting leave to the secretary of state to commence out-of-time proceedings.

Section 6(1) of the Directors Disqualification Act 1986 provides: "The court shall make a disqualification order against a person ... where ... it is satisfied (a) that he is or has been a director of a company which has at any time become insolvent ... and (b) that his conduct ... makes him unfit to be concerned in the management of a company."

Section 16(1) states: "A person intending to apply for the making of a disqualification order by the court having jurisdiction to wind up a company shall give not less than 10 days' notice of his intention to the person against whom the order is sought ..."

LORD JUSTICE BALCOMBE said that Mr Langridge was a director of Cedac Ltd.

On April 22 1987 an administrative receiver of Cedac was appointed. The company became insolvent on that date. The two years in which to apply for disqualification of Mr Langridge as a director under section 6 of the Directors Disqualification Act 1986 expired on April 21 1989 (see section 7).

Under section 16(1) of the act an applicant had to give not less than 10 days' notice of intention to apply for a disqualification order.

In *Jaymar [1990] BCC 303* Mr Justice Harman said the 10 days had to be calculated exclusive of the days on which notice was given and proceedings issued.

The last day for service of notice on Mr Langridge, if proceedings were to be commenced before expiry of the two-year limitation period on April 21, was April 10.

A letter dated April 10 giving notice of intention to apply for a disqualification order, was served by the secretary of state on April 11.

Proceedings began on April 21. At that time neither party had appreciated that the letter served on April 11 had not given the length of notice required by section 16(1). After learning of *Jaymar* Mr Langridge applied to strike out the proceedings. The secretary of state applied for leave to start new proceedings out of time.

Mr Justice Mummery struck out the disqualification application, and granted the secretary of state leave to commence out-of-time proceedings. The secretary of state now appealed from the first order. Mr Langridge cross-appealed from the second.

It was necessary to comply strictly with the letter of section 16(1) – "shall" give not less than 10 days' notice. Nevertheless, it was necessary to consider the effect of non-compliance.

In determining whether statutory procedural rules were mandatory, in which case disobedience rendered void or voidable what had been done, or directory, in which case disobedience was an irregularity not affecting validity, the court must consider "the whole scope and purpose of the enactment ... and one must assess the importance of the provision that has been disregarded, and the relation of that provision to the general object intended to be secured by the act". (*De Smith's Judicial Review of Administrative Action 4th ed (1980) page 142*).

The first question was, what were the scope and purpose of the act?

The purpose was to protect the public. The scope was the prevention of persons who had shown themselves unfit to be concerned in company management from being so concerned.

The second question was, what was the importance of the 10-day notice requirement?

The judge said prior notice was a valuable safeguard for the respondent to the intended proceedings, in that he could take steps to dissuade the intended applicant from proceeding under what might be a mistake or misunderstanding, or ask for them to be deferred while he sought legal advice or took legal action.

The 10-day notice under section 16(1) had a very limited ability to confer those advantages.

In the first place, no notice had to be served in cases where the court could make a disqualification order of its own motion, though doubtless natural justice would require some notice that it was contemplating the order.

Second, no notice had to be served when application was to a court other than the winding-up court, although again natural justice would have effect.

Third, the letter did not have to give the grounds on which the application was made.

Finally, 10 days was too short for the recipient to be able to do much. The importance of the notice seemed to be to limit the shock the intended respondent might otherwise sustain if the first intimation he had of the application was when proceedings were served on him.

The third question was, what was the relation of the 10-day notice requirement to the general object of the act?

The general object of the act was the protection of the public. The object of the 10-day notice was the protection of the person against whom the disqualification application was to be made. The relationship between those two objects clearly involved a balancing exercise.

There were deficiencies in the protection afforded by the notice. In conducting the balancing exercise there was one other matter of considerable significance.

In all cases to which section 16(1) applied, except for an application under section 6, the act provided for no limitation period. Thus if section 16(1) was mandatory, when the flaw was discovered the applicant might at once start again, with the consequent waste of costs.

It was difficult to conceive that parliament intended so pointless and wasteful a result. Yet section 16(1) could only have one construction. It could not be construed as mandatory for section 6 applications, and directory for all the other sections to which it applied.

The fourth question was, what were the relevant circumstances of the present case?

There was no suggestion that Mr Langridge was prejudiced by the fact that the notice actually served on him was one day short, except insofar as he might now be deprived of the benefit of taking a technical point in his favour. Equally there was no suggestion that failure to serve a proper 10-day notice was anything other than a genuine mistake.

In those circumstances and applying the principles referred to above, failure to serve a proper 10-day notice was a procedural irregularity which did not render the application for a disqualification order void or voidable. The disqualification application should not be struck out.

Mr Justice Mummery considered *Howard v Bodington (1877) 2 PD 203*, a case under the Public Worship Act 1874 where it was held that proceedings were void because of non-compliance with time limits within which a copy of parishioners' representations against an incumbent was to be sent to him by the bishop. Save in section 6, the 1986 act imposed no general time limits, and even in the case of section 6 there was a power of extension under section 7(2). Accordingly *Howard* was not relevant.

The section 16(1) provisions requiring service of a 10-day notice were directory rather than mandatory.

The appeal was allowed.

LORD JUSTICE LEGGATT gave a concurring judgment.

LORD JUSTICE NOURSE dissenting, said that section 16(1) was mandatory. *Howard v Bodington* supported the proposition that except when indicated to the contrary, a statutory provision whose purpose was to protect an individual in regard to proceedings which might result in substantial interference with his freedom to pursue his trade, was mandatory, not directory.

For the Secretary of State: A W H Charles (Treasury Solicitors)

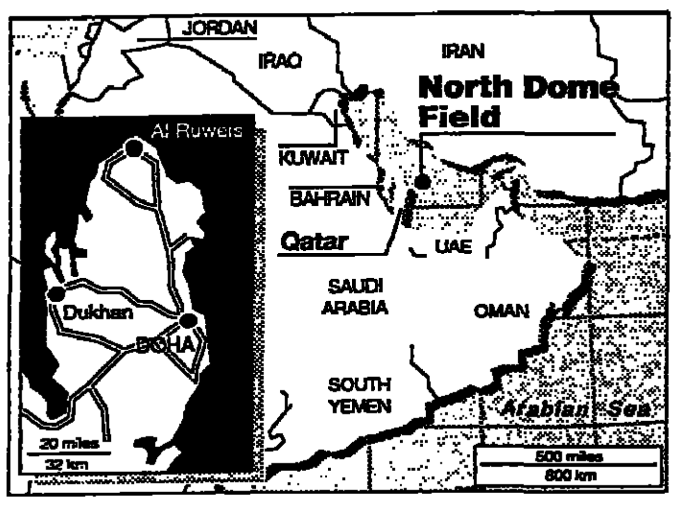
For Mr Langridge: Edward Bannister (Dean-Wilson, Brighton)

Rachel Davies

Barrister

Qatar to sign first North Dome gas supply contract

By George Graham in Paris



THE GULF state of Qatar will today sign the first major contract to supply natural gas from its North Dome field to a Japanese electricity company, paving the way for the development of this huge offshore gas deposit.

The contract provides for Chubu Electrical Power to buy 4m tonnes of liquefied natural gas a year for 25 years, in a deal that oil analysts estimate could be worth some $630m a year. Chubu's commitment will provide the guaranteed outlet needed to undertake the construction of the $2bn gas liquefaction plant which is planned by Qatargas, a consortium formed to develop the North Dome reserves under the control of Qatar General Petroleum Corporation in partnership with Total, BP, Marubeni and Mitsui.

Oil analysts had never been in any doubt that one day Qatar's huge gas field would come into its own, but the immediate future of the North Dome appeared less certain. Qatar had seemed to have missed the boat in signing up major long term customers, since most of the Japanese utilities had already assured their gas supplies over the coming decade.

Deliveries to Chubu will begin in 1997, with a minimum rate of return guaranteed to the partners in Qatargas for the early years of the contract and prices subsequently linked to the world market.

Although the contract provides for 4m tonnes a year, Mr Serge Tchuruk, chairman of Total, said yesterday that he expected deliveries to rise to 6m tonnes a year.

Qatar's North Dome, with an estimated 100 trillion (million million) cubic feet of natural gas, is the world's largest gas field, and has the potential to provide the Gulf emirate with huge quantities of LNG for the next 200 years.

The 6,000 square kilometre (1,500 square mile) field is situated, however, in the waters of the Persian Gulf to the north-east of the Qatar peninsula, and reaches out to the demarcation line between Qatari and Iranian waters.

The Gulf war has increased the Qatari government's worries about the security of a resource that will be crucial to the sheikhdom's future development as its oil reserves run out.

Peru aims to feed on fish farming expansion

Sally Bowen on the only country able to expand fishmeal production significantly

AS FISH-farming expands in the Far East and Norway, Peru is set to overtake Chile and regain its historical position as the world's number one fishmeal producer. According to the Fishmeal Exporters' Association, Peru is the only country capable of significant expansion of production over the next decade.

The rapidly-expanding market is for special quality fishmeal as opposed to the so-called "fair average quality". It sells principally to salmon and shrimp farmers but is also used in feeds for suckling pigs and bison. Rising demand is producing a flurry of activity in the Peruvian industry, which has for the past six years been making a steady recovery from the setback of a decade of nationalisation during the military regime, when fishmeal production was a state monopoly.

With a dearth of external financing, "the modern Peruvian fishing industry has been constructed with the left-overs of the primeval industry," says Mr Ismael Benavides, formerly the fisheries' minister responsible for abolishing the state monopoly. He estimates that Peru needs at least $400m-$500m to update the antiquated fleet and plant. Modernisation of the latter is well under way, however, in his own company, Inversiones Industriales Carolina, and the other major producers, Sindicato Pesquero, the Sotomayor Group and Del Mar.

There are longer-term hopes of future funding through the International Finance Corporation but, for now, private companies are meeting their own investment needs through private arrangements with buyers, mainly in Germany and Denmark, according to the National Fishing Society (SNP). At least one Peruvian-Chinese joint venture has helped renovate the Peruvian fleet with a number of Chinese-built boats.

Pesca Peru, the state fish processing company said there was no chance that fishmeal, the nation's second largest export, can carry the cholera bacteria that has struck 22,500 people so far. "Fishmeal produced in Peru. . . is duly sterilised with successive thermal treatments that make any contamination from cholera germs impossible," aaccording to a company statement. The cholera epidemic has hit many of Peru's small fishing fleets because of fears that the disease is spread by seafood.

World Fishmeal Exports ('000 tonnes)

	1985-89 (average)	1990(e)	1995(f)	2000(f)
Chile	1,167.5	1,075	1,100	1,200
Peru	969.5	1,135	1,400	1,600
Denmark	303.6	245	300	300
Iceland	175.1	160	130	150
Norway	207.2	164	250	250
S Africa	172.4	105	100	100

(e) estimated. (f) forecast. Source: Fishmeal Exporters' Association

Plant modernisation meant higher Peruvian fishmeal output last year in spite of a catch 5 per cent down on 1989. Better technology is also beginning to pay dividends in improved quality – outdated processing had kept Peruvian fishmeal's protein content at about 64 per cent, compared with Chile's 70 per cent.

Peruvian technology is still antiquated, however, by comparison with Chile or Norway. In Peru almost six tonnes of raw material is required to produce one tonne of fishmeal, in Chile the ratio is 4.2 to 1. "So there's plenty of capacity to expand production without actually landing any more anchovy and sardine," says Mr Benavides. "And while Chile is already in problems with over-fishing and has no possibility of expanding, we do."

Peru's fishing future, according to private producers and SNP, lies in the deep seas, way further out than the mainly small boats venture at present. Peru's Pacific waters abound in jack and horse mackerel, ideal for processing. Both species are currently untapped by the national industry, though Japanese and Soviet factory ships operate outside the 200-mile limit with up to 40 Soviet vessels fishing within Peruvian waters under a controversial contract signed by the previous Alan Garcia government.

Mr Benavides estimates that a new fleet purpose-built to exploit mackerel could bring in an extra 4m or 5m tonnes a year, almost doubling Peru's fishmeal output. More cautious figures from the Fishmeal Exports' Organisation project Peruvian production rising to 1.4m tonnes by 1995 and 1.6m by the year 2000, against an almost imperceptible increase for Chile from the current average of 1.17m tonnes to a mere 1.2m by the end of the century.

"Special" quality fishmeal involves a more technically sophisticated industrial process, principally at the drying stage. The end product is more digestible and commands a superior price. Only about 8 per cent of world fishmeal production is currently "special" category but the proportion is predicted to rise to 24 per cent by the end of the century. Demand is primarily for fish-farming – salmon, for example, are fed on a diet that includes 50 per cent fishmeal, as opposed to chicken feed, which may contain as little as 2.5 per cent. Here, fishmeal does not have to compete with soyameal, its traditional rival for the world animal feeds market.

Fishoil, a by-product of fishmeal used at present primarily in hydrogenised form in margarine manufacture, is also increasingly being incorporated into fish feed. Peru is currently the world's second largest producer of fishoil after Japan, with 300,000 tonnes in 1989 compared with Japan's 418,000 tonnes. But it has been principal world exporter since 1989. Together the two countries account for almost half of world fishoil production, however, Japan's production, however, has fallen by a fifth in the past five years.

Research has still to overcome the major drawback to its use in the potentially huge human foods market – the difficulty of stabilising the oil to avoid the disagreeable smell when it breaks down. This has been overcome at laboratory and pilot plant level but technology has not been applied on an industrial scale. At present, the most rapidly increasing demand for fishoil is from Norway, for the salmon industry.

World production of fishmeal has been very stable over the last five years, varying by only plus about 6 per cent either way. About 70 per cent of world production comes from seven countries. The FEO predicts, despite continuing quotas and periods when anchovy fishing is banned along the Peruvian coast, a gradual increase from around 6m tonnes in 1990 to 7m tonnes in the year 2000. Fishoil is predicted to remain at about the average 1985-89 level of 1.5m tonnes.

"The really interesting market being created is for high quality meal, mainly in China, Taiwan and Korea," according to Mr Benavides. And despite all Peru's macro-economic problems, there appear to be plenty of entrepreneurs ready to seize the opportunity.

Mobil to explore for oil in Guyana

By Canute James in Kingston, Jamaica

MOBIL OF the US has agreed a contract with the Guyana government to explore for oil in a 20,000 square kilometre (7,800 square mile) concession of the country's north-west coast.

The exploration programme will run for three and a half years, and the company will be allowed to sink wells within the period if it considers this commercially feasible.

The concession granted to Mobil is the largest to any of the several foreign companies involved in Guyana's exploration programme, and follows a year of negotiations. An official of the company said Guyana's geology was favourable to the accumulation of oil deposits.

The agreement between the government and Mobil follows closely an announcement by Total of France, which is exploring an offshore concession, that it found gas deposits that suggested commercially exploitable quantities of oil. London and Scottish Marine Oil is exploring an offshore concession of 11,000 square kilometres, while Hunt Oil of the US is searching in the Rupunini district of southern Guyana. The English-speaking republic in north-east South America has no oil industry, unlike two of its close neighbours – Venezuela and Trinidad and Tobago.

NZ wool prices down less than feared

By Dai Hayward in Wellington

NEW ZEALAND wool prices fell by an average of 10 per cent when auction sales resumed yesterday, the first sales since the Wool Board abandoned its price support scheme. The drop was less than many had feared but poorer quality wools fell by up to 20 per cent.

Only about half the wool available was sold at the Napier and Christchurch sales.

The new price levels means that many farmers no longer getting the board's price supplementary support will see a drop of around 30 per cent in their income.

The Christchurch sale started very slowly. In the first hour more than 80 per cent of the wool offered failed to reach the reserve price set by farmers.

Many wool growers say they will hold on to their wool hoping for a price lift, but Mr John Falloon, the Agricultural Minister, warned them that it would not be wise to hold back too much wool.

Some farmers received 227 cents (70p) for each fleece sent to market. It cost 150 cents a fleece on average for transport, leaving the grower with a net 77 cents.

Several farmers said they were looking at a drop of NZ$25,000 in their annual income.

The New Zealand Wool Board, which was forced to suspend its price support scheme, is facing a $60m deficit in the coming year. This means its stockpile of 650,000 bales is now worth about NZ$160 less per bale than the board paid to acquire it.

Wool exporters claim the income-smoothing schemes operated by both the New Zealand and Australian wool boards have contributed to the current situation.

EC suspends aid for private pigmeat storage

By David Gardner in Brussels

THE EUROPEAN Commission is to suspend its aid regime for the private storage of surplus pigmeat from today in what officials say is a move to help reduce European Community farm spending costs.

They add that prices for pork have risen this year by nearly 13 per cent, thereby reducing the need for the community to intervene in the market.

Independent agricultural economists claim, however, that the amount of pigmeat in storage has risen steeply recently. The last official figures available show a stockpile of 30,000 tonnes on February 6. Industry executives say this rose to 40,000 tonnes last week, but independent estimates put the amount in storage now at up to double that level. The EC had budgeted originally this year for up to 100,000 tonnes.

Though prices have risen after last year's depressed levels, pigmeat producers remain under pressure from:

- The spillover effect of the EC surplus in beef into the pork market, already depressed domestically and in large export markets like Japan;
- An outbreak of an unidentified disease among pigs – so-called "blue ear" disease – particularly in Germany and Holland, which appears to be leading to the loss of some large export contracts;
- The unification of Germany, with the former GDR bringing some 300,000 tonnes of pigmeat into the EC last year;
- The relative appreciation of European currencies.

The commission measure, however, will make only a tiny impact on overall farm price support spending, which its latest estimates – leaked last week – say will rise by Ecu7.9bn (£5.5bn) this year to Ecu33bn, breaching the "guideline" set in 1988. Total spending on pigmeat is revised down in these new estimates from Ecu280m to Ecu278m.

Peace 'will boost gold demand'

By Kenneth Gooding, Mining Correspondent

MIGRANT WORKERS moving in to help rebuild the infrastructure of Iraq and Kuwait after the Gulf war is over will boost gold demand in those countries and the Middle East as a whole and contribute to an upward move in gold prices in the second half of 1991, suggests Ms Rhona O'Connell, precious metals analyst at the Shearson Lehman Brother financial services group.

Gold's recovery will also be helped by a drop in the supply surplus this year from 400 tonnes in 1990 to about 200 tonnes, she says.

About $5bn a year was spent in 1989 and 1990 by investors mopping up the surpluses, Ms O'Connell points out. "It is extremely unlikely that the money invested in gold this year will be half that of last year and the annual average price for 1991 should exceed that for 1990," she adds in a report on the gold market.

Gold's price is unlikely to fall below US$360 a troy ounce, she insists, and "while the market will take time to recover, expect it to be rising by the second half of this year. Our original target for a test of $440 (an ounce) by the year-end is now looking optimistic however. A test of $425 is more realistic," says Ms O'Connell. She has cut her 1991 average price forecast from $410 (made at the end of last year) to $390.

Ms O'Connell says that migrant workers who follow employment opportunities around the Middle East have been an important historical source of gold purchasing. "One of their first purchases is always gold bullion. There is every reason to expect the same pattern again. While migrant workers in Kuwait and Iraq will buoy gold offtake in those countries, the rest of the area should also benefit."

Ms O'Connell says Iraq and Kuwait are not likely to sell gold on a large scale to pay for reconstruction. "The financial and political risk that may be deemed to adhere to the region in the aftermath of a war makes it almost inevitable that gold will be retained in order to perform its role as a reliable asset collaterlalising loans."

A statement by Mr Konstantin Katushev that the Soviet Union "placed on the market" 234 tonnes of gold to pay for food imports last year was in line with previous information, analysts said. However, the total received, 1.638bn roubles, translates at the official rate of exchange to US$345 a troy ounce, well below the market average last year of $383.50. "This suggests someone, somewhere is making a lot of money from Soviet activity in the gold market," said Mr Andy Smith, analyst with Union Bank of Switzerland. He also pointed out that the "placing" was specifically linked with food purchases and asked: "Did they sell other gold for other products?"

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed just over $1 a fine ounce down on the London bullion market yesterday after a day of hectic, nervous trading, dealers said. The market was hit before the morning fix by talk that a Saudi bank might be about to sell gold after buying sterling on the foreign exchange market. The price dropped to around $360.75, near to its lowest since last July, before bouncing to a morning fix of $361.50 and an afternoon setting of $362.25. It rose further on President Saddam Hussein's statement that his army would fight on. "A short covering spree today held gold above the important chart point of $360," a broker said. Silver finished at 368.5 cents an ounce, level with Wednesday's close, after a midday fix of 366.30 cents – marginally above its lowest setting for 17 years. On Comex the March silver contract traded down to 360 cents early on, but recovered before midday. New York sugar prices were lower at midday under some pressure from the news from Iraq. "There's a feeling that when the war is over, Arab countries may come in for 500,000 tonnes right away. That gave us some early support, but when Saddam said Iraq won't be getting out we sold right off," said one dealer.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.45-3.60z	-.25
Brent Blend (dated)	$18.50-8.65	-.125
Brent Blend (April)	$17.40-7.45	-.25
W.T.I. (1 pm est)	$19.16-9.18	-.305

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-227	
Gas Oil	$281-284	-19
Heavy Fuel Oil	$72-74	-2
Naphtha	$203-208	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$363.15	-1.20
Silver (per troy oz)♣	368.60c	
Platinum (per troy oz)	$381.65	-5.50
Palladium (per troy oz)	$80.85	-3.85
Aluminium (free market)	$1512.5	+2.5
Copper (US Producer)	115c	-½
Lead (US Producer)	35⅞c	
Nickel (free market)	406c	-1
Tin (Kuala Lumpur market)	15.09r	-0.01
Tin (New York)	260c	-1
Zinc (US Primo Western)	62c	
Cattle (live weight)†	109.07p	-2.79*
Sheep (dead weight)†	137.09p	-18.8*
Pigs (live weight)†	87.75p	-2.70*
London daily sugar (raw)	$216.0w	-2.0
London daily sugar (white)	$204.5w	-2.5
Tate and Lyle export price	£217.0	-1.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£94.5	
Rubber (Mar)♥	48.25p	-0.25
Rubber (Apr)♥	48.75p	-0.25
Rubber (KL RSS No 1 Mar)	228.5m	+0.5
Coconut oil (Philippines)§	$337.5q	+2.5
Palm Oil (Malaysian)§	$345x	
Copra (Philippines)§	$227.5t	
Soyabeans (US)	£138.0	-0.5
Cotton "A" Index	84.80c	-0.40
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar/Apr. t-Apr. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	186.80	190.00	190.40 185.80
May	184.80	188.20	188.20 184.00
Aug	190.60	193.20	192.60 189.80
Oct	189.60	192.20	191.60 188.60
Mar	187.80	192.40	192.60 187.00
White	**Close**	**Previous**	**High/Low**
May	288.5	290.5	291.0 285.0
Aug	286.5	290.0	289.1 286.0
Oct	261.5		263.1 257.5
Dec	256.5	265.0	256.0

Turnover: Raw 2158 (2040) lots of 50 tonnes. White 1655 (1105)
Paris- White (FFr per tonne): May 1474, Aug 1474, Oct 1350.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Apr	17.47	17.45	17.65 16.75
May	16.95	16.80	17.05 16.30
Jun	16.65	16.60	16.65 16.05
Jul	16.60	16.15	16.20 16.00
Aug	16.20	15.90	16.20
Sep	16.60	15.82	16.32
IPE Index	17.17	16.84	

Turnover 5373 (12467)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Mar	211.50	217.00	220.50 198.00
Apr	170.00	171.00	175.00 161.00
May	159.75	160.00	160.00 155.00
Jun	157.00	158.00	158.50 153.00
Jul	157.25	157.50	157.00 154.00
Aug	157.00	153.50	160.00 155.00
Sep	159.00	159.00	163.00 159.00

Turnover 9889 (14433) lots of 100 tonnes

FRUIT AND VEGETABLES
Grapes are abundant this week with many varieties to choose from including red Chilean Flame at 75p-£1.10 a lb, reports the FFVIB. Apples are still superb value with French Golden Delicious at 40-55p a lb. Grapefruit and kiwifruit are also excellent value. Potatoes have not been too badly affected by the frost and are 8-15p a lb for white varieties, reds at 9-15p a lb. Mushrooms remain stable in price along with English onions and red and white cabbage. Celery at 55-80p a head is a good salad buy along with Chinese leaves at 65p-£1.20 and tomatoes 55-85p a lb.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	612	617	615 610
May	644	654	650 642
Jul	671	680	678 670
Sep	696	705	704 695
Dec	730	739	737 730
Mar	756	765	763 755
May	776	785	780 776

Turnover: 4837 (4302) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 20 869.67 (861.52) 10 day average for Feb 21 846.92 (843.02)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	551	546	552 543
May	561	556	562 555
Jul	575	570	576 566
Sep	591	586	590 584
Nov	609	603	606 601
Jan	621	617	620 617

Turnover: 6558 (6034) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 20: Comp. daily 73.88 (71.96). 15 day average 69.27 (68.85)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	126.5	127.0	128.5 125.6
May	147.0	147.0	148.6 146.0

Turnover 89 (116) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	110.00	112.00	111.50 110.00
Aug	112.00	114.00	112.00
Dec	121.00		121.00

Turnover 218 (52)lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Feb	1670	1680	1680 1670
Mar	1580	1601	1603 1570
Apr	1425	1448	1455 1425
Jul	1095	1115	1100 1095
Oct	1198	1218	1205 1200
BFI	1664	1654	

Turnover 229 (318)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	125.40	125.25	125.40 125.10
May	128.50	128.00	128.50 128.30
Jun	130.50	130.00	130.50 130.25
Sep	108.30		108.30 108.00
Nov	111.50	111.00	111.50 111.00
Jan	115.25		115.00
Barley	**Close**	**Previous**	**High/Low**
Mar	115.75	115.60	116.10 115.75
May	119.50	119.45	119.80 119.50
Sep	105.00	104.50	105.00 104.90
Nov	108.70	108.25	108.65

Turnover: Wheat 276 (643), Barley 123 (293).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	110.5	111.0	110.5 110.0
May	110.0	110.5	109.5
Aug	107.0		106.0

Turnover: 42 (42) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	157.00	155.27			
Mar	158.70	156.30	158.70		30
Apr	157.10	156.40	157.10		57
May	156.70	158.00	156.70		57
Jun	156.50	158.50	156.50		60

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 13,094 lots
Cash	1520-5	1506-8		1513-4		
3 months	1552-5	1539-40	1550/1542	1544-5	1546-7	52,596 lots
Copper, Grade A (£ per tonne)						Total daily turnover 13,101 lots
Cash	1275-80	1226-8	1276/1274	1275-6		
3 months	1253-4	1253-4	1253/1250	1251-2	1250-1	97,129 lots
Lead (£ per tonne)						Total daily turnover 2,571 lots
Cash	302.5-3.5	301-2		302-3		
3 months	314-4.25	312.5-3	316.5/313	314.5-5	313-5	13,545 lots
Nickel ($ per tonne)						Total daily turnover 1,634 lots
Cash	8750-800	8750-800	8800/8750	8730-50		
3 months	8675-700	8650-75	8700/8590	8611-2	8675-700	7,986 lots
Tin ($ per tonne)						Total daily turnover 1,312 lots
Cash	5595-605	5600-10	5585	5580-90		
3 months	5690-1	5700-15	5720/5670	5670-80	5696-7	6,345 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,617 lots
Cash	1188-90	1180-2	1187	1186-7		
3 months	1188-7	1183-4	1190/1184	1186-7	1186-7	17,852 lots

LME Closing £/$ rate:
SPOT: 1.9610 — 3 months: 1.9324 — 6 months: 1.9092 — 9 months: 1.8910

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	362.90-363.40	
Opening	362.00-362.50	
Morning fix	361.50	184.533
Afternoon fix	362.25	185.436
Day's high	364.10-364.50	
Day's low	360.30-360.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.38	6 months	5.19
2 months	5.33	12 months	5.09
3 months	5.26		

Silver fix	p/fine oz	US cts equiv
Spot	186.65	365.30
3 months	192.85	372.25
6 months	198.15	378.10
12 months	208.50	390.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	363.00-364.00	186.00-186.50
Maple leaf	373.50-374.50	191.25-191.75
New Sovereign	88.00-89.00	45.00-45.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1450	85	117	2	16
1550	16	54	32	52
1650	1	20	116	115
Copper (Grade A)	**Calls**		**Puts**	
2350	138	131	6	52
2450	61	78	31	98
2550	19	42	88	160
Coffee	**May**	**Jul**	**May**	**Jul**
500	62	41	2	16
550	25	18	15	43
600	7	7	47	82
Cocoa	**May**	**Jul**	**May**	**Jul**
600	50	68	7	16
650	19	55	26	35
700	6	34	63	64
Brent Crude	**Apr**	**May**	**Apr**	**May**
1700	95		96	
1800				
1900			95	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	362.7	364.7	364.0	363.0
Mar	362.7	364.7	0	0
Apr	364.1	366.1	365.6	363.1
Jun	367.3	369.3	369.0	366.6
Aug	370.5	372.4	372.2	369.9
Oct	373.6	375.7	0	0
Dec	377.1	379.0	379.0	376.0
Feb	380.6	382.5	0	0
Apr	383.9	385.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	379.4	383.9	381.2	377.0
Jul	383.2	387.7	384.0	381.9
Oct	387.0	391.5	386.0	385.0
Jan	390.8	395.3	389.0	0
Apr	395.9	400.5	396.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	363.7	367.3	0	0
Mar	364.0	367.7	368.0	360.0
Apr	365.8	369.5	369.5	369.0
May	368.7	372.3	372.5	367.5
Jul	373.5	377.0	377.0	370.0
Sep	378.3	381.8	383.0	375.1
Dec	385.5	388.8	389.5	381.0
Jan	388.9	390.2	0	0
Mar	392.9	396.2	396.5	392.0
May	398.1	401.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	112.00	110.15	112.20	111.10
Mar	111.15	109.40	111.30	109.80
Apr	109.30	107.80	109.45	108.90
May	107.55	106.30	107.90	106.70
Jun	106.85	105.80	107.15	106.10
Jul	105.95	104.90	106.40	105.00
Aug	105.60	104.55	0	0
Sep	104.70	103.65	105.10	104.40
Oct	104.25	103.25	0	0
Nov	103.75	102.75	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.18	19.55	19.70	18.50
Jun	18.10	18.07	18.30	17.55
Jul	18.00	17.83	18.05	17.40
Aug	18.00	17.77	18.05	17.45
Sep	18.07	17.83	18.17	17.55
Oct	18.10	17.89	18.20	17.50
Nov	18.19	17.95	18.33	17.70
Jan	18.45	18.09	18.42	17.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	6260	6472	6450	6150
Apr	5510	5621	5650	5400
Jul	4990	4961	5000	4895
Aug	5060	5011	5080	5000
Sep	5185	5136	5210	5050
Oct	5290	5236	5310	5265
Nov	5390	5336	5410	5350
Dec	5500	5436	5530	5375

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1114	1151	1148	1103
May	1137	1171	1180	1132
Jul	1169	1203	1210	1167
Sep	1203	1233	1230	1202
Dec	1249	1279	1273	1249
Mar	1290	1320	1300	1290
May	1322	1352	0	0
Jul	1352	1383	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	91.75	92.05	92.80	91.65
May	94.10	94.65	95.25	94.05
Jul	96.20	96.75	97.35	96.10
Sep	97.95	98.80	99.30	97.80
Dec	100.75	101.90	102.35	101.50
Mar	104.60	103.80	104.60	0
May	105.50	105.40	0	0
Jul	107.45	107.35	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.50	8.63	8.71	8.42
May	8.30	8.42	8.50	8.25
Jul	8.26	8.38	8.46	8.23
Oct	8.30	8.34	8.44	8.25
Mar	8.47	8.50	8.59	8.37
May	8.49	8.58	0	0
Jul	8.67	8.68	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	84.25	85.38	85.30	83.85
May	85.35	85.15	85.85	84.70
Jul	84.60	84.26	84.70	83.90
Dec	68.40	67.95	68.45	67.85
Mar	68.80	68.25	68.80	68.56
May	68.90	68.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	114.05	112.50	115.00	112.80
Jul	114.00	114.10	115.25	113.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 21	Feb 20	mnth ago	yr ago
1687.5	1653.4	1665.5	1826.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 20	Feb 19	mnth ago	yr ago
Spot	123.68	123.85	121.98	130.57
Futures	126.06	126.25	124.69	132.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	572/2	573/2	577/4	570/4
May	585/0	587/0	590/4	583/4
Jul	597/0	598/6	602/4	595/4
Aug	602/0	605/0	606/4	600/4
Sep	604/0	607/0	609/0	603/0
Nov	613/2	616/2	618/6	611/6
Jan	624/4	628/0	629/0	624/0
Mar	637/4	640/0	640/0	637/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.07	21.12	21.25	21.00
May	21.43	21.51	21.62	21.37
Jul	21.74	21.84	21.93	21.66
Aug	21.81	21.90	22.03	21.80
Sep	21.94	22.00	22.12	21.93
Oct	21.95	22.02	22.22	21.95
Dec	22.15	22.23	22.36	22.08
Jan	22.17	22.27	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.1	167.5	167.9	166.5
May	171.2	171.9	172.2	170.5
Jul	174.7	176.0	176.0	174.2
Aug	176.4	177.8	177.7	176.0
Sep	177.3	179.6	179.5	177.3
Oct	179.0	181.3	180.5	178.5
Dec	182.6	184.4	184.0	181.5
Jan	182.7	184.6	184.5	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/6	239/0	239/6	238/2
May	247/4	247/4	248/0	246/6
Jul	254/2	254/2	254/4	253/4
Sep	256/0	255/6	256/4	255/4
Dec	258/4	258/4	258/6	257/6
Mar	265/6	266/0	266/0	265/0
May	270/4	271/0	270/4	270/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	252/6	252/4	254/2	251/6
May	263/2	263/2	264/0	262/0
Jul	273/2	273/0	274/2	272/2
Sep	280/4	280/2	281/2	280/0
Dec	293/4	293/0	294/4	292/4
Mar	301/0	300/4	302/0	299/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	80.60	79.62	80.62	79.62
Apr	79.12	78.97	79.15	78.60
Jun	75.80	75.62	75.85	75.32
Aug	74.30	74.22	74.35	74.00
Oct	74.22	74.22	74.25	74.02
Dec	74.75	74.70	74.85	74.65
Feb	74.60	74.55	74.70	74.55

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	50.35	51.65	51.60	50.35
Apr	48.60	48.80	49.40	48.40
Jun	54.10	55.05	54.70	53.85
Jul	53.70	54.56	54.40	53.47
Aug	50.72	51.62	51.40	50.70
Oct	46.40	46.70	46.70	46.37
Dec	46.50	46.82	46.70	46.30
Feb	46.90	48.05	47.50	46.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	63.07	64.25	65.90	62.25
Mar	60.90	62.90	62.50	60.90
May	60.77	62.77	62.40	60.77
Jul	59.75	61.67	61.50	59.70
Aug	58.02	58.75	59.50	58.02
Feb	56.02	57.02	57.00	56.02

LONDON STOCK EXCHANGE

Interest rate hopes dictate the trend

INTEREST RATE optimists were back in the majority in the London stock market yesterday and the FT-SE Index comfortably regained the 2,300 plus territory, although share prices closed well off the day's peak following an apparently unyielding speech from President Saddam Hussein.

Late buying of the privatised utility stocks reflected widely circulating reports that National Power and PowerGen, the two power generating company stocks, will be priced today at a 6.3 per cent yield – a level regarded as favourable for shares in the other utility issues.

Interest rate optimism at first focused on prospects for a cut in rates in Spain, now seen as the cue for action from the UK monetary authorities, but the London market then shrugged off firm rejection of such speculation by the Bank of Spain. An overnight cut in prime rate by the Bank of America, a modest reduction in new mortgage rates by the Halifax Building Society, one of Britain's leading home loan institutions, and persistent rate optimism in London money markets, all served to fuel equity market expectations of further cuts in base rates at, or possibly even before, Budget Day, March 19.

Account Dealing Dates		
*First Dealings:		
Feb 11	Feb 25	Mar 11
Option Declarations:		
Feb 21	Mar 7	Mar 27
Last Dealings:		
Feb 22	Mar 8	Mar 28
Account Day:		
Mar 4	Mar 18	Apr 8

*New-time dealings may take place from 8.30 am two business days earlier.

A cautious opening by equities, in response to weakness overnight on Wall Street, was soon brushed aside and share prices move ahead on some "good quality" – i.e. institutional – support. A £135m sale-and-leaseback deal involving British Land and 15 supermarkets operated by Sainsbury, the food retail group, stimulated interest on the corporate front.

By mid-session, the market was ahead by more than 25 Footsie points, at which stage it was checked by indications that Wall Street might open lower. Uncertainty increased after the Iraqi president delivered his speech and the New York market duly made a dull start to the new session. London shadowed Wall Street closely towards the end of the day, and with New York's initial loss reduced to a fall of 5.2 Dow points in London hours, the UK market regained confidence in very late deals.

The final reading showed the FT-SE Index at 2,312.4 for a gain on the day of 15.6 points. Seaq volume increased to 541.9m shares from 514.2m in the previous session. While the institutions appeared more moderate in their buying policies yesterday, traders commented that equity business has now become more comfortably two-way. The squeeze on marketmaker's positions has become less severe in many leading sectors.

The Sainsbury/British Land leaseback deal was welcomed by corporate specialists in a property sector which has been dormant for so long, and it inspired some attempts to reshuffle share stakes held in institutional portfolios. But stock is still short in this sector and share prices moved sharply when a few buyers arrived.

The deal, together with reports that the electricity generating pricing is pending, helped inspire confidence that the market's recovery to the Footsie 2,300 area is solidly based. There were suggestions that a number of leading companies were about to announce rights issues, and that these would be taken aboard institutional portfolios without difficulty.

Against the background of expectations of further cuts in UK interest rates, few institutional investors are prepared to sell leading stocks at present; at best, fund managers will switch into areas perceived as overlooked.

FINANCIAL TIMES STOCK INDICES

	Feb 21	Feb 20	Feb 19	Feb 18	Feb 15	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.72	85.78	85.88	85.72	85.65	79.91	85.88 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.12	94.14	94.23	94.22	93.85	89.65	94.23 (19/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1844.6	1826.2	1838.5	1842.6	1824.5	1789.8	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	130.2	131.7	134.7	134.5	134.5	303.3	378.5 (6/2/90)	129.2 (8/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2312.4	2296.8	2312.4	2318.3	2296.9	2289.2	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	1047.96	1038.67	1049.57	1047.02	1024.86	-	1049.57 (19/2/91)	900.45 (14/1/91)	1049.57 (19/2/91)	900.45 (14/1/91)
Ord. Div. Yield	5.22	5.26	5.21	5.20	5.25	4.87				
Earning Yld %(full)	10.87	10.95	10.88	10.84	10.94	11.57				
P/E Ratio(Net)(☆)	11.13	11.04	11.14	11.16	11.05	10.47				
SEAQ Bargns 4.45pm	29,607	26,731	32,177	33,763	37,105	22,480				
Equity Turnover(£m)†	-	910.20	1002.07	902.99	1461.38	833.45				
Equity Bargains†	-	29,059	33,916	32,646	37,963	23,311				
Shares Traded (ml)†	-	444.2	451.9	410.7	587.8	395.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 26/10/90. ☆ Nil 10.94

Ordinary Share Index, Hourly changes Day's High 1851.3 Day's Low 1822.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1822.8	1828.3	1834.4	1839.5	1847.1	1851.3	1851.1	1848.5	1844.8

FT-SE 100, Hourly changes Day's High 2322.1 Day's Low 2291.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2291.6	2298.5	2303.7	2309.5	2317.2	2321.8	2320.7	2317.2	2312.1

FT-SE Eurotrack 100, hourly changes Day's High 1049.69 Day's Low 1040.48

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1042.23	1040.87	1043.07	1042.03	1043.58	1045.93	1048.93

GILT EDGED ACTIVITY

Indices*	Feb 20	Feb 19
Gilt Edged Bargains	100.1	95.7
5–Day average	99.2	102.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	1,200	133	-1
ASDA Group	13,000	134½	+5½
Abbey National	1,800	246	-3
Albert Fisher	1,500	122	+2
Allied-Lyons	2,500	509	-1
Amstrad	372	68	-1
Anglian Water	244	292	+2
Argos	499	275	+3
Argyll Group	2,300	270½	+4½
Ass. Brit. Foods	623	479	-4
BAA	1,400	391	+1
BAT Inds	2,100	665	+2
BET	6,200	137	+7
BICC	718	413	
BOC	527	567	+3
BPB Inds.	1,000	237	+3
BTR	3,700	357	-3
Bank of Scotland	836	128	+1
Barclays	3,500	390	+2
Bass	1,400	992	+7
Beazer	22	127	
Berisford Int.	7,800	25	
Blue Circle	2,100	255	+4
Boots	1,700	340	
Bowater	144	532	+6
Brit. Aerospace	1,100	552	+2
British Airways	2,900	152	-1½
British Gas	6,300	232	-1½
British Land	3,200	307	+13
BP	7,700	323	+4
British Steel	9,500	128½	+2
British Telecom	5,300	305	+5
Bunzl	1,300	80	+2
Burmah Castrol	1,100	552	-6
Burton	2,000	89	+3
Cable & Wire.	1,100	514	+5
Cadburys	1,500	361	+1
Calor Group	41	225	-5
Carlton Comms.	4,800	389	+2
Coats Viyella	1,200	122	+2
Comm. Union	1,900	520	-5
Cookson	1,200	121	

	Volume 000's	Closing Price	Day's change
Courtaulds	750	360	+4
Dalgety	482	381	+6
Dixons	4,800	168	+3
ECC Group	295	389	-1
Eastern Elect.	753	169½	+1½
East Midland Elect.	673	182	-1
Enterprise Oil	220	540	+3
Eurotunnel Units	331	463	
FKI	5,400	47	+1
Ferranti	840	10	
Fisons	1,000	423	+2
Gen. Accident	500	558	+4
General Elect.	9,700	210	+5
Glaxo	1,200	930	-9
Glynwed Int.	848	241	-2
Granada	3,400	187	+7
Grand Met.	2,500	712	-2
GUS A	256	1195	+3
GRE	969	213	+2
GKN	759	365	+6
Guinness	1,100	803	+10
Hammerson 'A'	502	655	+24
Hanson	8,400	218	+3½
Hanson Warrants	465	37½	+1
Harrisons Crosfield	1,000	157	
Hawker Sidd.	290	489	-3
Hillsdown	3,300	207	+3
IMI	379	236	+1
ICI	748	1022	+9
Inchcape	383	278	+1
Kingfisher	2,500	401	+4
Ladbroke	4,900	267	+9
Land Securities	2,800	544	+5
Laporte	313	548	+3
Legal & General	819	412	+2
Lloyds Abbey	2,800	384	+7
Lloyds Bank	2,000	330	+2
LASMO	1,000	347	-6
London Elect.	574	183	-1
Lonrho	1,400	216	+2
Lucas	2,000	156	+2
MB Caradon	776	185	+3

	Volume 000's	Closing Price	Day's change
MEPC	812	523	+2
Manpower	7	68	
Manweb	658	201	+2
Marks & Spencer	6,400	238	+4
Maxwell Comms.	270	147	-2
Midland Bank	1,800	175	+5
Midlands Elect.	2,500	178½	+½
NatWest Bank	4,800	305	+6
Next	1,600	27	-1
North West Water	1,800	302½	+½
Northern Elect.	286	188	+3
Northern Foods	323	390	+7
Norweb	381	169	+2
Pearson	182	707	+4
P & O	1,200	578	+6
Pilkington	6,300	154	-1
Prudential	4,200	221	+1
RHM	1,000	320	-2
RMC	310	716	-1
RTZ	2,100	509	+3
Racal	10,000	193½	+6½
Racal Telecom	3,400	314	+10
Rank Org.	992	719	+30
Reckitt & Colman	236	1390	-1
Redland	985	636	-1
Reed Intl.	1,800	398	+8
Reg. Elect. Pkg Uts	4	£1618	+8
Reuters	1,000	784	-1
Rolls Royce	10,000	153	+1
Rothmans	172	783	+3
Ryl Bk Scotland	1,000	185	+3
Royal Insurance	1,500	431	+13
Saatchi	21,000	16¾	-10¼
Sainsbury	1,700	334	+6
Scottish & New.	742	386	+6
Sears	2,700	83	+1
Sedgwick	1,200	240	-10
Seeboard	107	175	
Severn Trent Water	957	276	+2
Shell Transport	8,200	460	-4
Siebe	988	358	+6
Slough Ests	288	254	+10

	Volume 000's	Closing Price	Day's change
Smith (W.H.) A	3,500	331	+7
Smith & Nephew	771	101	
SmKl Beecham	2,000	681	+4
SmKl Beecham Uts.	170	2945	+7
Smiths Inds.	297	251	+2
Southern Elect.	847	174	
South Wales Elect.	354	197	
South West Water	456	301	+7
South West. Elect.	804	179	+2
Southern Water	366	285	-1
Standard Chartd.	692	284	+10
Storehouse	2,500	113	+2
Sun Alliance	713	365	-1
Sun Life	6	1105	-2
T&N	387	173	
TI Group	314	453	+5
TSB	2,300	149	
Tarmac	1,900	265	+5
Tate & Lyle	359	327	
Taylor Woodrow	525	259	-4
Tesco	4,400	246	+5
Thames Water	1,000	299	
Thorn EMI	552	681	+12
Trafalgar House	3,100	235	+5
Trusthouse Forte	3,000	255	+9
Ultramar	864	316	+2
Unigate	387	289	
Unilever	885	727	-9
United Biscuits	722	386	+1
Utd. Newspapers	473	338	
Water Package Uts.	1	£2963	+20
Wellcome	1,700	900	-3
Welsh Water	289	320	+4
Wessex Water	1,100	347	
Whitbread 'A'	7,400	477	+8
Wiggins Teape	3,100	201	-6
Williams Hldgs.	750	267	+5
Willis Corroon	1,200	278	-2
Wimpey	3,000	190	+3
Yorkshire Elect.	1,400	193½	+1½
Yorkshire Water	383	310	+5

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Persistent buying of Royals

SOME determined buying drove Royal Insurance sharply higher, the shares closing 13 up at 431p amid persistent speculation that the company may be about to receive an offer for its 20 per cent stake in Aachener Münchener, the German insurance concern.

It was suggested that La Fondiaria, the big Italian insurance group which last year paid a premium to market price for a stake of around 10 per cent in Aachener, may now be about to offer Royals a premium for its holding.

Analysts speculated that Royals could receive around £400m for its share interest, reducing the chances of it having to make a rights issue.

Even without the sale of the Aachener holding, however, some analysts believe a rights issue from Royals is unlikely. Kleinwort Benson, in a preview of the composites' 1990 results said: "Royals is looking historically cheap, rights issue fears should be receding."

Royals is scheduled to report preliminary figures next Thursday, and analysts expect the group to announce losses approaching £200m, compared with a profit of £125.6m in the previous year. But specialists are looking for a marginal increase in the dividend total from 25¼p to 26p.

Saatchi lower

Saatchi & Saatchi, once the world's largest advertising group, lost nearly 40 per cent of its share value in heavy trading after the company announced a £55m rights offer. Analysts believe the issue is good for Saatchi but said the shares are likely to show further short-term weakness.

Ms Lorna Tilbian at S.G. Warburg, the company's broker, said funds could now invest "in Saatchi's operational capability", a reference to the fact that sentiment has been dominated by concern over the company's financial state. On Warburg estimates, the shares are trading at about 10 times 1992 earnings per share, and Ms Tilbian said they were a long-term buy.

James Capel took a more cautious line, suggesting that Saatchi was really trading on 10 times 1993 earnings. The agency broker was, however, positive on the corporate effects of the deal: "They have got it right this time; it is a much stronger balance sheet." Other analysts said fair value for the stock was now about 12p to 13p. "It is basically option money," said one.

A heavy bout of trading in Saatchi as the market closed, including a block of 2¼m shares, pushed volume to 14m. Marketmakers noted selling by institutions into a stream of buy orders from smaller stockbrokers. The price dropped 11¼ to 16¾p, the lowest level since the summer of 1978. The company's larger rival, WPP, was marked 7 lower to 61p in insignificant volume.

Century bid hopes

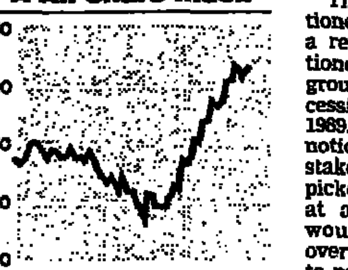
One of the smaller stocks in the oil sector, Century Oils, moved 10 higher to 104p after a large stake in the group changed hands and the buyer said it may launch a full bid. News of a possible offer triggered market hopes that a bid battle could develop.

The market was alerted when two big blocks of Century shares showed up on the Seaq delayed ticker. The blocks, each of 2.6m shares, were marked at 100p cash. After the market closed, an announcement said Fuchs UK, a subsidiary of the German lubricants company Fuchs Petrolub, said it had bought a block of 2.75m Century shares at an average price of 99.95p, and increased its holding to 13.5 per cent. Fuchs said it was considering a full bid, but any bid would not pay more than 110p a share.

Fuchs bought the 2.6m shares, an 8.6 per cent stake, from the 88 Corporation, the company representing Laurence Hockey-Sweeney. In September 1989 Fuchs paid £28m for Silkolene, another UK lubricants company.

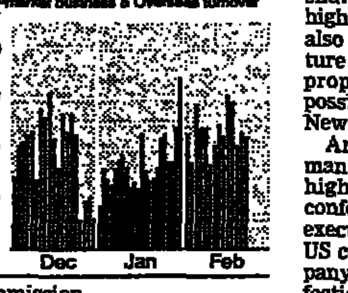
French group Elf and Exxon, of the US, had been mentioned as possible buyers of Century. Burmah Castrol, long thought to be interested in Century, bought Foseco, the chemicals group, only last year and specialists said a move now by Burmah might attract the attention of the Monopolies Commission.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



GEC continued its recent strong performance, the shares adding 5 at 210p on heavy turnover of 9.7m, as Lord Weinstock, GEC's chairman, addressed a series of presentations to Scottish institutions hosted by Smith New Court, the stockbroker.

Electronics analysts from a number of broking firms have been visiting various GEC operations, including GEC Telecomms and GEC-Marconi. Smith rates the shares a long-term buy, and highlighted likely benefits from the reorganisation of GEC's largest divisions. The broker also pointed to GEC's strong cash generation and to its conservative accounting policy.

The property sector recovered sharply from the previous session's weakness, which had been caused by vague rights issue talk.

Although there was relief yesterday as British Land said it would issue convertible bonds as part of its deal with J. Sainsbury, the real force behind the early rally was a return of stories that there would be a bid for Hammerson.

The possible predators mentioned were Hong Kong Land, a regular candidate last mentioned in December, and Dutch group Rodamco, which unsuccessfully bid for Hammerson in 1989. Traders dismissed these notions, saying that 24 per cent stakeholder Standard Life had picked up much of its holding at around £11 a share and would want a big premium over that price to be persuaded to part with it.

Hammerson was 47 higher at one point before closing a net 24 up at 655p after 502,000 shares had changed hands, high for the stock. There was also vague talk of a joint venture with another quoted UK property company, and the possibility of building sales in New York.

Analysts at Shearson Lehman this morning are due to highlight comments at a US conference yesterday by senior executives of Philip Morris, the US conglomerate, that the company wanted to add to its confectionery interests.

Philip Morris owns Jacob Suchard, the swiss chocolate maker, and said it would have free cash flow of $18bn over four years to 1995. "This has implications for Cadbury-Schweppes," said Shearson. Any effects of this statement were not felt yesterday, however: Cadbury firmed a penny to 361p.

Unilever slipped 9 to 727p ahead of finals expected next Tuesday. The company said yesterday it wanted to sell its packaging interests, comprising the 4P Group in Germany and France.

Grand Metropolitan eased 2 to 712p after selling its two UK restaurant chains.

Analysts' concern about competition for Glaxo, and the fact that the stock's recent bull run had left its rating matching those of US rivals, continued to take their toll. The shares lost 9 to 930p.

Pentland climbed 8 to 78p on the long-anticipated news that it had sold most of its shareholding in US sports shoe maker Reebok. The stake is down from 31.6 per cent to 13 per cent.

British Land's £135m sale-and-leaseback deal involving 15 J. Sainsbury supermarkets lifted the property company's shares by 13 to 307p. Sainsbury will receive £78.5m in the form of convertible capital bonds which will be placed by S.G. Warburg, and £56.25m in cash. Sainsbury closed 6 higher at 334p.

Asda appreciated 4 to 93p in sympathy, with a busy 11m shares changing hands. Marketmakers said the highly geared group was boosted by speculation that it could follow Sainsbury's example.

Buy notes from Crédit Lyonnais Laing and Nomura helped Dixons close 3 higher at 168p.

Geest lost 6 to 283p after saying it would be interested in buying Del Monte's tropical fruit business if the administrators of Polly Peck International put it up for sale.

Rank Organisation attracted buying for income funds ahead of going ex a 20¾p net dividend on Monday. There was also interest in what might be revealed at a series of presentations at securities houses over the next two weeks.

They begin at S.G. Warburg today, with Smith New Court, Kleinwort Benson and Schoder Securities next week, and James Capel the following week. Rank shares ended at the day's high of 719p, up 30. Turnover was a solid 992,000.

Bearish views on the insurance broking sector from County NatWest unsettled Sedgwick, 10 off at 240p, and Willis Corroon, although the latter rallied from a day's low of 270p to close only 2 off on balance at 278p.

Alfred McAlpine shares, hit badly in recent days as the market anticipated the sharply reduced profits and halved final dividend, staged a strong rally to close 19 higher at 240p.

Dumez, the French group, holds a 4.7 per cent stake in McAlpine and has said it intends to increase this holding progressively to a maximum of 12 per cent, with full approval of the McAlpine board.

The market anticipated the publication this morning of a paper and packaging review from Ms Chris Munro of Hoare Govett. She is reiterating her caution on the paper industry, dominated in the UK by Wiggins Teape Appleton. Wiggins lost 6 to 201p. Its much smaller rival, David S Smith, eased 3 to 310p.

Packaging companies such as Bowater are the customers of the paper makers. They stand to benefit from falling paper and pulp prices. Traders noted switching from Wiggins into Bowater, which moved ahead 6 to 532p.

Dealers noted heavy switching activity from Shell into BP and Royal Dutch, the latter move instigated by Kleinwort Benson.

BP was additionally stimulated by further American buying interest and put on 4 to 323p with 7.7m shares traded. Shell lost 4 to 460p with turnover reaching a much higher than usual 8.2m shares.

Kleinwort said Shell currently stands at close to a five-year high relative to Royal Dutch.

Switching from Lasmo into Enterprise, because of what was described as some overstated asset values for the former, left Lasmo another 8 down at 347p. Enterprise gained 3 to 540p.

British Airways moved against the market to close down 1¼ at 152p. Heavy overnight selling of ADRs was blamed for the dip, on volume of 2.1m shares.

■ Other Market statistics, including the FT-Actuaries share index, Page 20

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (83).
BRITISH FUNDS (5) Fund. 5¼pc Ln. 1987-91, Treas. 3pc 1991, Exch. 11pc 1991, Treas. 2pc IL 1992, Treas. 2pc IL 1994, INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) African Dev. Bank 11¼pc Ln. 2010, AMERICANS (1) Gillette, BANKS (5) Cater Allen, Cattle's, Gerrard & Natl., Lloyds, Provident Fincl., BREWERS (3) Clark (M.), Greene King, Wolv. & Dudley, BUILDINGS (4) Bellway, Berkeley, Boot (H.), Wilson Bowden, CHEMICALS (2) Mornsedison, Rentokil, STORES (3) Courts, Scholl, Sherwood, ELECTRICALS (6) Domino Printg. Sciences, Micro Focus, Microgen, Real Time Control, Thorpe (F.W.), FOODS (6) Booker, Dalepak Foods, Morrison (Wm.), Do. 5¼pc Rd. Prf., Salvesen (C.), Tesco, INDUSTRIALS (9) Diploma, Kalamazoo, Kalon, Novo Nordisk B, RCO, Rank Organ. 8.26pc (Net) Cnv. Cm. Rd. Prf., Reliance Security, Spandex, Unichem, INSURANCE (1) Lloyds Abbey Life, LEISURE (1) Compass, PAPERS (1) Wace 8pc Cnv. Prf., PROPERTY (1) Slough Estates 11¼pc 2019, TRANSPORT (1) Tibbett & Britten, TRUSTS (3) Aberforth Smaller Co's, Gartmore Value Zero Prf., Tor Inv. Inc., WATER (1) Wessex.
NEW LOWS (26).
BUILDINGS (1) Turriff STORES (1) Wensum, ELECTRICALS (2) Circaprint, Kode Intl., ENGINEERING (1) Eadie, INDUSTRIALS (3) Chillington, Eurocopy, Faber Prest, INSURANCE (1) Durham (D.G.), LEISURE (1) Swanyard, PAPERS (2) Saatchi, Whinney Mackay-Lewis, PROPERTY (3) Cussins, Hardanger, Warringtons, TRUSTS (5) Ambrose Inv. Inc., Gresham House, Kleinwort Dev. Fd., Nth. American Gas, Renaissance, OILS (2) Bow Valley, Pittencrief, MINES (4) Elandsrand Gold, F.S. Cons. Gold, OFS Invs., Southvaal.

APPOINTMENTS

Changes at Nurdin and Peacock

■ Following the annual meeting on June 8, Mr Michael Peacock, chairman of NURDIN AND PEACOCK, will step down from the board for family health reasons, and will be appointed honorary president. Mr David Rowley, managing director, will become chairman, and will be succeeded by his deputy Mr David Poole. Mr Richard Fulford, former senior partner at Scrimgeour Kemp-Gee and Co, will become non-executive deputy chairman. Mr Norman Kerry, finance director, will retire, but will continue, part time, in charge of employee benefits. He will be succeeded by Mr Nigel Hall, finance director of Nurdin & Peacock Cash & Carry.

■ Mr Robert L. Byrne has been appointed an executive director of strategy, finance and planning at WALLACE, SMITH TRUST CO. He was a principal at McKinsey & Co, New York.

■ OCEANIC FINANCIAL SERVICES has appointed Mr Jonathan Hill as finance director. He was chief financial officer.

■ Mr Geoff Colquitt has been appointed chairman of DGI GROUP, Kenilworth. He succeeds Mr Neville Cooley, who remains chairman of the two operating companies, DGI International, and DGI Project Management.

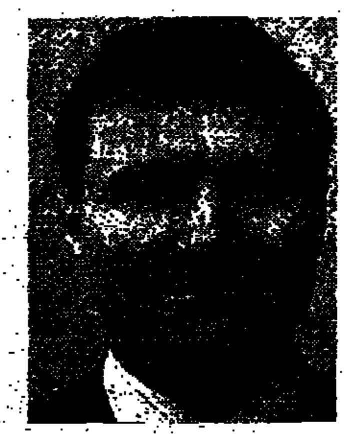
■ THE DENBY POTTERY COMPANY has appointed Mr Raymond Way as non-executive chairman. He was group chief executive of Barrow Hepburn, and his current posts include that of chairman of Sykes Pickavent. The Denby Pottery Company was formed following the management buyout last July of the tableware business from the receiver of the Coloroll Group.

■ MINSTER INSURANCE GROUP, owned by GAN, France's fifth largest insurance group, has appointed Mr Keith Morris as general manager, underwriting. He was assistant vice president, non-marine operations, at CIGNA UK.

■ Mr John Veglio, managing director of Potrafke (UK), has been appointed to the board of COURTNEY POPE (HOLDINGS).

■ SEDGWICK JAMES has appointed Mr Steve Anderson as a director of Sedgwick Aviation, and Mr William Payne as a director of Sedgwick James (London).

■ Mr Christopher Nash has been appointed group treasurer of WHATMAN, Maidstone. He was vice president, finance, of the filter systems division of Whatman in the US.



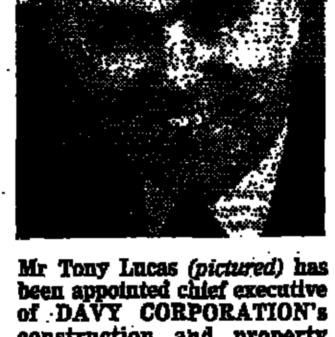
Mr John White, group finance director at THE DE LA RUE COMPANY, is moving shortly to the post of managing director, security print division, one of the group's three core operating divisions. Mr Leslie Cullen (pictured) has joined the group board, and becomes finance director on March 21. He held a similar post at STC.

■ Mr David Stogdale, has been appointed an executive director, corporate finance, at NOMURA INTERNATIONAL. He was an executive director of Morgan Stanley International.

■ KPMG MANAGEMENT CONSULTING has appointed Mr Richard Raeburn as head of corporate treasury management. He was chief financial officer, Europe, of the Bond Corporation.

■ Mr Michael J. O'Donnell has been appointed managing director of IMI YORKSHIRE ALLOYS from April 1. He is managing director of IMI Rolled Metals, and succeeds Mr F.J. Benton who is retiring.

■ ARTHUR SHAW & CO, Willenhall, has appointed Mr David Tippin as group technical director. He was European general manager, electronics division, Yale Security Products.



Mr Tony Lucas (pictured) has been appointed chief executive of DAVY CORPORATION's construction and property division, Warrington, which comprises Monk Construction, Expanded Piling, Davy Property Holdings, and Davy Mining. Mr Lucas, who was managing director of Monk, succeeds Mr Maurice Couchman, who remains chairman of the division.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Funding 5¼pc '87-91‡‡	[illegible]	[illegible]	5.79	10.80
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	2.05	9.82
[illegible]	[illegible]	Treas 10pc Cv '91‡‡	[illegible]		10.08	12.02
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.03	11.44
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]		8.19	11.12
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.57	11.06
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.09	10.99
[illegible]	[illegible]	Treas. 8pc 1992‡‡	[illegible]	[illegible]	8.25	10.90
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.54	10.88
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]		3.23	8.80
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.01	10.83
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.99	10.71
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]		8.57	10.41
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]		10.08	10.41
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.95	10.29
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]		6.49	9.43
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.73	10.28
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	8.87	10.18
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.04	10.12
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.40	10.17
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.02	10.09
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.71	10.17
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.29	10.04
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.31	10.09
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]		3.57	7.52
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.18	10.05
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.61	10.10
[illegible]	[illegible]	Treas 14pc '96	[illegible]		12.33	10.42

Five to Fifteen Years

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
127	110¼	Tr. 2pc '92‡‡ (97.8)	127[illegible]	[illegible]	1.22	[illegible]
117	103¼	Do. 2 '94 (102.9)	116[illegible]	.....	2.81	[illegible]
171[illegible]	150⅝	Do. 2pc '96 (67.9)	170[illegible]	.....	3.19	[illegible]
140[illegible]	123½	Do 2½pc '01 (78.3)	139[illegible]	[illegible]	3.83	[illegible]
136[illegible]	119¾	Do. 2½pc '03 (78.8)	135	[illegible]	3.92	[illegible]
137[illegible]	122	Do. 2pc '06 (69.5)	137	[illegible]	3.99	[illegible]
127[illegible]	113[illegible]	Do. 2½pc '09 (78.8)	126[illegible]	[illegible]	4.00	[illegible]
131[illegible]	117¼	Do. 2½pc '11 (74.6)	130½	[illegible]	4.01	[illegible]
108¼	97¾	Do. 2½pc '13 (89.2)	107[illegible]	[illegible]	3.98	[illegible]
116[illegible]	105[illegible]	Do. 2½pc '16 (81.6)	115[illegible]	[illegible]	3.95	[illegible]
113[illegible]	102[illegible]	Do. 2½pc '20 (83.0)	112[illegible]	[illegible]	3.92	[illegible]
95[illegible]	86[illegible]	Do. 2½pc '24‡‡ (97.7)	93[illegible]	[illegible]	3.87	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1990: 126.7 and for January 1991: 130.2.

INT. BANK AND O'SEAS

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101[illegible]	84[illegible]	African Dv Bk 11¼Ln 2010	101[illegible]	.....	10.96	[illegible]
98¼	80[illegible]	Asian Dev Bk 10¼pcLn2009	97[illegible]	[illegible]	10.51	[illegible]
112	80[illegible]	Int-Am Dev Bk 12½pc 2003	111[illegible]	[illegible]	11.18	[illegible]
92[illegible]	76[illegible]	Do 9¼pcLn 2015	92[illegible]	[illegible]	10.55	[illegible]
110	55	Utd. Mexican States 16½pc 2008	110[illegible]	.....	15.00	[illegible]

CORPORATION LOANS

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104	86½	Birmingham 11½pc 2012	101½	.....	11.33	[illegible]
95½	84½	GLC 6¾pc 1990-92	95½	.....	7.07	[illegible]
113½	95	Leeds 13½pc 2006	113½	.....	11.89	[illegible]
30½	25	Liverpool 3½pc Irred	30	.....	11.67	[illegible]
35	24	LCC 3pc '20 Aft.	27	.....	11.11	[illegible]
[illegible]	[illegible]	Manchester 11½pc 2007	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990/91 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
55[illegible]	41	Met. Wtr. 3pc 'B'	52[illegible]		5.71	9.70

FOREIGN BONDS & RAILS

1990/91 High	Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990/91 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990/91 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
46¾	35[illegible]	CPC Intnl. 25c	42[illegible]	-⅛	$2.00	-	2.4
930p	358p	California Engy	574p	.....	-	-	-
36[illegible]	23½	Campbell Soup 15c	36[illegible]	[illegible]	$1.16	-	1.6
21¾	5⅛	Chase Manhattan $12½	7[illegible]	[illegible]	$1.20	-	8.2
12½	5[illegible]	Chrysler $6¼	6[illegible]	[illegible]	$1.20	-	10.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990/91 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

1990/91 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
131	50	ABI Leisure 10p	β	54	+1	3.1	4.4	7.7	3.7
£14¼	£5⅛	DAF N.V. Fl5		£6¾	+⅛	Q50%	2.0	11.0	4.5
149	79	General Mtrs Units		92	-4	Q12%	-	6.9	-
41	9	March Group 5p	β	14	...	B-	-	-	-
£122¼	£101	Volkswagen DM50		£129¼	...	Q22%	3.5	2.9	10.1
£44	£18¼	Volvo AB 'B' Kr25		£22¼	-¼	Q62%	4.3	6.3	3.7

Commercial Vehicles

253	68	ERF (Hldgs)	β	128	+2	†10.0	1.6	‡	7.3
180	48	Plaxton Grp	β	50	-1	8.5	2.0	22.7	2.8

Components

463	420	Abbey Panels		463	...	3.5	10.8	1.0	12.3
225	123	Airflow Streamlines	β	132	...	6.0	3.0	6.1	7.3
190	140	Bostrom 5p	β	140		5.75	3.1	5.5	6.4
266	145	Dowty 50p	α	169	...	†9.0	2.1	7.1	8.1
239	110	F R Group	α	139	+1	6.37	3.1	6.3	6.9
135	55	Kwik-Fit Hldgs. 10p	α	89	+1	†2.4	2.3	3.6	16.4
174	102	Lucas Inds	α	156	+2	7.0	2.5	6.0	7.7
44	14	Do. Warrants	α	25½	...	-	-	-	-
80	48	Mid-States 10p	β	49	...	‡20.75	-	2.0	30.8

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1990/91 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's
63	35	♥Central Pacific		35	-3	-	-	-
7½	2½	♥Croesus Mining N L		3	...	-	-	-
34	16	♥Delta Gold 25c		19	...	-	-	-
104	27	♥Dominion Mining		30	-1	Q4c	♦	5.7
13	11	Doral Resources		13	...	Q1c	-	3.1
8	1½	♥Dragon Mining		1½	...	-	-	-
88¾	30	♥Elders Resources		41½	...	‡Q16.8c	2.5	16.5
164	20	♥Emperor Mines		22	-1	-	-	-

[illegible]

1990/91 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's
65	21	‡‡Eglinton Exp Ir50p	γ	21	-2	-	-	-
16	0¾	Do Warrants	γ	0¾	-1¼	-	-	-
24½	6½	♥Emex Int. Ir10p	γ	8		-	-	-
98	20	Europa Minerals 2p	α	24	...	1.0	-	5.6
45	4	‡‡Feltrim Min Ir20		4		-	-	-
86	7	Grevor	β	7	-1	-	-	-
55	23	‡‡Glencar Exploration	γ	31	...	-	-	-
£10¾	£3¾	♥Hemlo Gold Mines		£4¼	...	Q520c	-	2.5
43	13	Greenwich Res 5p	α	24	+2	-	-	-
£14¼	£7¾	Homestake Mining $1		£8¾	+¼	Q20c	-	1.2
62	22	‡‡Ibernia West	γ	41	...	-	-	-
97	44	‡‡Kells Mins Ir5p	γ	44	-1	-	-	-
49½	9	‡Kenmare	γ	9	...	-	-	-
45	15	‡‡Navan Resources	γ	15	...	-	-	-
20¾	7	♥New Sabina Res C$1		10	+1	-	-	-
457	52	Northgate Expl. C$1		58	...	5-	-	-
36	12	North West Exp		12	...	-	-	-
39¾	2	♥Nor-Quest Res		7	-1	-	-	-
255	90	Oryx Gold Hldgs.		194	...	-	-	-
57	11	‡‡Ovoca Gold IR 2p	γ	13	...	-	-	-
93	42	Plateau Mining 20p	β	42	...	-	-	-
605	392	RTZ 10p	α	509	+3	†18.5	2.5	4.8
14	4½	♥Thorco Res Inc. ‖		6	...	-	-	-
18	5	‡Vizcaya Hldgs 5p	β	8	...	-	-	-
178	130	‡Young Group 10p	β	131	...	†7.8	2.7	7.9

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	675	...
Finlay Pkg. 5p	β	31	-2
Holt (Jos) 25p	β	1308	...

IRISH

Cap 8½% Ln. 1991	£99½	...
9pc Cap Ln. 1996	£97¼	-¼
Fin. 13% 97/02	£114	...
Arnotts	160	...
Carroll (P.J.)	154	...
Helton Hldgs γ	40xd	...
IRG	125	...
United Drug	145	+10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord.	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A.	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property	
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Petm	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petm	15
Gaelic Res.	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng:031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)(z)	5¼	87.63	88.44	93.88	-0.05	0.45
Income & Growth	5¼	55.93	55.93xd	59.37	+0.01	5.50
European (z)	5¼	51.99	51.99xd	55.19	-0.46	1.29
Nth American (z)	5¼	32.13	32.13	34.10	-0.4	1.54
Intl Growth(9-1)	5¼	55.38	56.61	60.09	-0.28	0.84
UK Growth	5¼	49.01	49.01	52.02	-0.06	2.75
UK Income	5¼	45.19	45.19	47.97	-0.55	6.22
High Yield	5¼	42.97	42.97xd	45.61	-0.46	7.54
Charities	5¼	85.92	87.08xd	92.44	+0.11	6.06
Japan	5¼	36.59	36.59	38.84	-0.42	–

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth (4-1)	6	62.27	63.62	68.04	+0.21	3.63
UK High Income	6	32.92	33.37	35.69	+0.67	5.66

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ▼	5¼	27.66	27.66	29.50	-0.32	1.73
(Accum Units) ▼	5¼	29.60	29.60	31.57	-0.34	1.73
Australian ▼	5¼	145.20	146.10xd	156.70	-0.20	3.50
(Accum Units) ▼	5¼	163.50	164.50	176.50	-0.20	3.50
Conscience	5¼	46.41	47.28	50.45	+0.10	1.55
(Accum Units)	5¼	48.67	49.58	52.91	+0.11	1.55
European	5¼	133.50	133.50	142.40	+0.40	1.10
(Accum Units)	5¼	140.90	140.90	150.20	+0.30	1.10
Extra Income	5¼	62.12	62.12	66.29	+0.33	9.22
(Accum Units)	5¼	83.69	83.69	89.31	+0.45	9.22
Far East 6th Acc ▼	5¼	100.80	100.80	107.70	-1.00	0.28
Gilt & F.I.	5¼	51.44	51.44xd	54.45	-0.08	9.20
(Accum Units)	5¼	108.30	108.30	114.50	-0.20	9.20

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. *The symbols are as follows:* (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (●) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

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TSB Unit Trusts (1200)H

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Allied Dunbar Assurance Plc – Contd.

City of Westminster Assurance (z)

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Guardian Royal Exchange – Contd.

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Merchant Investors Assurance Co Ltd – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	97 5	102 7	-0 2	-
Pension Managed Fd	93 6	98 5	-0 2	-
Life Deposit Fd	104 7	110 2	+0 1	-
Pension Deposit Fd	108 7	114 5	-0.1	-

National Financial Management Corp PLC
72 Gatehouse Rd Aylesbury HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	102.9	112 5	-0 3	-
Managed Growth	125.6	137 3	-0.3	-
Managed Opportunity	121 8	133 9	-0 3	-
NFMC Target Financial	93.6	100.7	-0.1	-
Pension Funds				
Managed Cautionary	111 4	121.8	-0.3	-
Managed Growth	131 5	144 6	-0 3	-
Managed Opportunity	124 5	136 1	-0 3	-
NFMC Target Cash Pen	1390 2	1511 1	+1 1	-

National Mutual Life
The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	150 7	158 7	.	-
UK Equity	156 4	164 5	.	-
Overseas Equity	124 6	131.2	.	-
Fixed Interest	143 1	150 7	.	-
Property	130 7	137 6	.	-
Index Linked	145 4	153 1	.	-
Deposit	150 9	158 9	.	-
With Profits (B)	126 3	133 0	.	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	325 8	343 0	-1 5	-
UK Equity	409 5	431 1	-1 4	-
Overseas Eq	310 7	327 1	-2 6	-
American	242 4	255 2	-1 3	-
Far East	324 2	341 3	-5 8	-
Property	193 9	204 2	-0 2	-
Fixed Int	254 6	268 1	-0 5	-
Indexed Gilt	151 2	159 2	-0 3	-
Deposit	176 9	186 3	+0 1	-
Pension Fund (Accum Units)				
Managed	456 1	480 2	-2 2	-
UK Equity	530 4	558 4	-2 0	-
Overseas Eq	514 5	541 6	-5 1	-
Americas	316 3	333 5	-3 7	-
Far East	547 3	576 2	-9 4	-
Property	242 8	255 6	-0 4	-
Fixed Int	312 7	329 2	-0 7	-
Indexed Gilt	166 7	175 5	-0 4	-
Deposit	245 7	258 7	+0 2	-
NPI Pensions Management Ltd				
Managed Fund	946 4	963 3		-

Prices Feb 1 Next dealing Mar 1

Norwich Union Asset Management Ltd
PO Box 140 Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	67 2	70 7	-0 1	-
Stock Market Mngd Fund	64 4	67 7	-0 2	-
Equity Fund	73 0	76 9	+0 1	-
International Fund	56 4	59 4	-0 4	-
European Fund	62 6	65 9	-0 1	-
North American Fund	60 4	63 6	-0 7	-
Pacific Fund	60 5	63 7	-0 4	-
Property Fund	85 8	90 3		-
Fixed Interest Fund	58 0	61 0	-0 1	-
Index linked Sec Fund	61 3	64 5	-0 2	-
Deposit Fund	67 9	71 5		-
NUAM Retirement Plans				
Mixed Fund	72 8	76 6		-
UK Ordinary Share Fd	84 4	88 8	+0 2	-
International Fund	60 2	63 4	-0 4	-
Property Fund	82 9	87 3	+0 1	-
Fixed Interest Fund	69 8	73 5	-0 1	-
Index Linked Sec Fund	64 9	68.3	-0.2	-
Deposit Fund	79 6	83 8	+0 1	-
NUAM (NF)				
Managed Fund	946 6	996 5	-1 0	-
Equity Fund	1994 6	2099 6	+2 7	-
International Fund	149 1	157 0	-0 9	-
Property Fund	543 4	572 0		-
Fixed Interest Fund	424 9	457 8	-0 9	-
Index Linked Sec Fund	62 4	65 7	-0 2	-
Deposit Fund	279 3	294 0	+0 1	-

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	109 13	114 89	+0 03	-
Managed Fd	90 08	94 82	-0 05	-
UK Ord Share Fd	95 24	100 25	+0 24	-
International Fd	82 49	86 83	-0 55	-
European Fd	85 91	90 43	-0 14	-
North American Fd	85 68	90 19	-0 99	-
Pacific Fd	71 08	74 83	-0 60	-
Property Fd	98 51	103 70	-0 01	-
Fixed Int Fd	101 79	107 13	-0 03	-
Ind Bond Fd	92 63	97 50	-0 56	-
Deposit Fd	109 77	115 55	+0 03	-
Unitised Pensions				
With Profits Fd	145 42	153 07	+0 05	-
Managed Fd	146 17	153 86	-0 04	-
UK Equity Fd	156 08	164 29	+0 39	-
International Fd	143 03	150 56	-0 98	-
European Fd	137 45	145 74	-0 27	-
North American Fd	145 72	153 39	+0 99	-
Pacific Fd	105 12	110 66	-0 99	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	145 5	153.5	.	-
Accum Equity	205.5	217 0		-
Accum Managed	213 0	224 5	-1 0	-
Accum Five Star	157 5	166 5	-0.5	-
Accum World	114 0	120 5	-1 0	-
Accum Lifetime	105.7	105 7	-0 1	-
Pens Acc Equity	219 0	231 0	-9 5	-
Pens Acc Managed	258.5	272 5	-3 5	-
Pens Acc Intl	188 0	198 0	-2.5	-
Pens Acc Deposit	192.0	202 5	..	-
Pens Acc Five Star	169 5	179 0		-

Providence Capital Life Assc. Co Ltd
2 Bartley Way Hook Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	209 4	220 9	+0.3	-
UK Fixed Int Acc	168 4	177.2	+0 7	-
Intl Equities Acc	160.4	169.3	....	-
UK Managed Acc	163 4	172 3	+0 1	-
Property Acc	226 3	238 8	...	-
Money Acc	125 9	132 9		-
Special Market Acc	123.9	130.8	-2.0	-
Japan Equity Acc	97 5	102 9	-1 3	-
North American Acc	92.3	97 4	-1 1	-
Pacific Acc	82.5	87.1	-1 2	-
Technology Acc	102 8	108 5	-0 7	-
Nat Resources Acc	48 1	50 8	-0 6	-
European Acc	95 2	100 5	-0 5	-
Residential Prop Acc	95.7	101 0	-0 1	-
Swiss Equities Acc	33 6	35 5	-0.4	-
Hong Kong Acc	52.4	55.3	-0.5	-
UK High Inc Eq Acc	69.7	73 6	+0 6	-
Int Fixed Interest Acc	54 6	57.6	...	-
Int Managed Acc	52.9	55 8		-
HIP Managed Acc	105 0	110 7	-0 7	-
HIP Managed II Acc	92.5	97.5		-
HIP Managed III Acc	-	-	...	-
Total Investment Bond				
UK Equity Initial		143 0	+0 3	-
UK Fixed Int Initial		115 2	+0 4	-
Intl Equities Initial		109 0		-
UK Managed Initial		111 8		-
Property Initial		156 0	..	-
Money Initial		86 6		-
Special Market Initial		96 7	-1 6	-
Japan Equity Initial		76.1	-0 9	-
North American Initial		72 0	-0 9	-
Pacific Initial		63 4	-0 9	-
Technology Initial		80 2	-0 5	-
Nat Resources Initial		37 5	-0 5	-
European Initial		95 7	-0.5	-
Residential Prop Init		91 9		-
Swiss Equities Initial		32.3	-0 4	-
Hong Kong Initial		50 2	-0 5	-
UK High Inc Eq Init		66 9	+0 5	-
Int Fixed Interest Init		53 0		-
Int Managed Init		51 6		-
HIP Managed Init		102 6	-0 6	-
HIP Managed II Initial		71.5		-
HIP Managed III Init		-		-
Broker Funds				
High Performance	66 4	70 0		-
Towermill Mngd Fd Acc	46 2	48.7	+0 8	-
YPA Executive Fd	95 6	90 2	-0 6	-
E Global Growth Acc	117 7	124 1		-
EH Income Mngd Acc	136 5	143 9		-
IM Balanced		50 2	-0.4	-
H F Specialist Fd		120 4	+3 2	-
PEP Accum II		106 4	-0 1	-
PEP Cautionary		68 2	-0 1	-
AAF 5 Int Man Fund		116 5	-1.0	-
Antrovan Growth Pen		79 4	+0 2	-
Individual Pension Funds				
UK Equity Acc	229 7	242.3	+0 4	-
UK Fixed Interest Acc	211 6	223 3	+0 9	-
Intl Equities Acc	206 5	217 9	-0.1	-
UK Managed Acc	177 9	187 6	..	-
Property Acc	201 9	213 0	-0 1	-
Money Acc	156 4	165 0		-
Special Market Acc	195 1	205 9	-3 1	-
Japan Equity Acc	154 7	163 2	-2 1	-
North American Acc	114 2	120 5	-1 3	-
Pacific Acc	154 3	162 8	-2 2	-
Technology Acc	128 2	135 3	-1.0	-
Natural Resources Acc	73 7	77.8	-1.0	-
European Acc	109 1	115 1	-0 7	-
Residential Prop Acc	102 1	107.8		-
Swiss Equities Acc	33 6	35.5	-0 5	-
Hong Kong Acc	53 1	56 1	-0.5	-
UK High Inc Eq Acc	76 0	80.2	+0 5	-
Int Fixed Interest Acc	58 3	61 5		-
Int Managed Acc	53 8	56 7	-0 1	-
Group Pension Funds				
Equity Acc	728 2	750 8	-1 7	-
Fixed Interest Acc	620 1	639 3	+0 9	-
Managed Acc	126 4	128 9	-0.5	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fixed Interest	1046 1	1098 4	-5 5	-
Equity Fund	239 7	251 7	-1 8	-
International Fd	129 3	136 3	-0 7	-
Fixed Interest Fd	177 3	186.2	-0 1	-
Property Fund	225 2	236 5		-
Index-Linked Fund	154 7	162 4	-0 2	-
Deposit Fund	161 7	169 8		-
Pens Mixed Opts Fd	256 1	268 9	-1 3	-
Gold Pensions				
Discretionary Fund		123 9	-0 6	-
Equity Fund		133 9	-0 9	-
Fixed Interest Fund		130 8	-0 1	-
International Fund		100 2	-0 6	-
Property Fund		139 3		-
Index-Linked Fund		130.3	-0 1	-
Deposit Fund		140 1	+0 1	-
S & F Consolidated		131 6	+0 1	-
S & F Balanced		131 3	-0 1	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2.949	2.979	-	-
New Generation Fd $	$23.07	23.31	-	-
Japan Index Alpha	Y8.692	8.824	-	-
Jap Sector Rotation	Y7.302	7.410	-	-
Jap Cap Cwth CB	[illegible]	[illegible]	-	-
Sarasin Funds Mngmt (Guernsey) Ltd				
GlobalSar-Fergus £	£12.21	13.14		-
GlobalSar-Fergus US$	$23.78	25.59		-
GlobalSar-Fergus SFr	SFr30.43	32.75		-
Saudi International (Guernsey) Ltd				
Intl Bond	$10.71	10.89	+0.05	-
Intl Dollar	$10.39	10.40		-
Intl Equity	$11.79	12.20	+0.32	-
Falcon High Income	$90.76	90.92	-0.06	-
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.2019	12.9015		-
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.62	11.69	-0.05	-
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$751.34			-
Fixed Income Shares	$875.85			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$11.22		-0.05	-
Yamaichi ESS Fund	$8.07		-0.07	-
Yamaichi CB Plus Fund	$8.86		-0.01	-
Thai Inv Fund	$10.97		+0.11	-

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (p)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US Dlr Acc		$-	113.96		-	-
GAM Universal US Dlr Inc		$-	113.96		-	-
GAM Universal DM Acc		DM-	109.33		-	-
GAM Universal DM Inc		DM-	109.33		-	-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0.99	1.06		-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St Helier, Jersey						0534 76029
Stlg Fixed Int	5½	£1.126	1.126	1.195	-0.00	9.89
Offshore High Yield	3½	£1.436	1.434	1.493		14.57
Global Equity Fund	5½	$14.38	14.48	15.49	-0.18	1.11
European Equity	5½	$17.20	17.20	18.40	-0.26	1.10
UK Growth & Inc Fund	5½	£4.425	4.425	4.733	-0.01	3.41
Nth American Eqty	5½	$9.717	9.717	10.350	-0.09	0.67
Far Eastern Eqty	5½	$9.484	9.605	10.273	-0.10	0.80
[illegible]	5½	$9.545	9.545	10.209	[illegible]	0.00
Intnl. Bond Fund						
Sterling Managed	5½	£10.28	10.28	10.96	-0.01	8.77
US Dollar Managed	5½	$13.52	13.52	14.37	-0.03	5.91
International Currency Fund						
Sterling Managed ♦	5½	£25.09	25.09	26.55	-0.01	-
US Dollar Managed ♦	5½	$29.21	29.21	30.91	+0.01	-
Sterling ♦ ‡	0	£24.25	24.25	24.25	-0.01	11.34
US Dollar ♦ ‡	0	$37.48	37.48	37.48		5.90
Deutschmark ♦ ‡	0	DM58.88	58.88	58.88	+0.01	7.75
Japanese Yen ♦ ‡	0	Y4,778	4,778	4,778	+3	6.30
Swiss Franc ♦ ‡	0	SFr45.95	45.95	45.95	-0.01	6.74
Irish Punts ♦ ‡	0	I£21.78	21.78	21.78	+0.01	9.75
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey						0534 73114
Jersey Gilt (z)	5½	[illegible]	0.1705	0.1801	[illegible]	9.16
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey						0534 27561
Lloyds Tst. Gilt	2½	£9.541	9.558	9.808	[illegible]	11.42
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey						0534 37788
Intl Credit Portfolio	6	95.51	95.51	101.33	-0.16	0.00
Gilt	3	93.53	93.53	96.45	-0.04	10.37
For MIIP see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey						0534 76077
Govt Secs Fd	4	57.17	57.17	59.67	-0.01	10.09
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						0534 73494
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103.12	103.12	106.22	+0.04	13.30
Gilt & Fixed Interest	5	104.72	104.72	107.90	-0.18	11.63
Blue Chip & Gilt Lnd	5	46.95	46.95	49.84	-0.50	5.82
International Bond	5	105.06	105.06	110.35	-0.06	7.52
UK Equity	5	91.06	91.06	98.39	-0.29	1.62
International Equity	5	95.24	95.24	101.78	-1.36	0.43

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Saddam's speech hits dollar

THE DOLLAR weakened after President Saddam Hussein of Iraq appeared uncompromising in his determination to hold on to Kuwait. The White House described the speech as disappointing, and said that the Gulf war would continue.

Mr Tariq Aziz, the Iraqi foreign minister, was reported to be returning to Moscow, with his country's reply to President Mikhail Gorbachev's proposals for peace in the Gulf, but President Saddam's comments did not encourage optimism that the war is about to end.

Recent hopes of a peace settlement had supported the dollar, on the basis that the US economy will climb out of recession quicker if the costly war effort is brought to an end. It fell back on the news from Baghdad.

Earlier in the day the dollar failed to break through DM1.5000, but finished above the day's low as economic worries about the war were offset by nervousness about a possible move towards full scale ground fighting. At times of uncertainty there is generally an increase in demand for the US currency.

The dollar was also supported by comments from Mr Alan Greenspan, chairman of the Federal Reserve. Continuing his congressional testimony Mr Greenspan said that the dollar's weakness was unwelcome and the Fed had been in continuous discussion with the Group of Seven about co-ordinating policy.

At the London close the dollar had fallen to DM1.4905 from DM1.4970; to Y131.35 from Y131.75; to SFr1.2740 from SFr1.2805; and to FFr5.0700 from FFr5.0800. Its index fell to 60.5 from 60.7.

Sterling was buoyed by reports of demand from Middle East sources, prompting suggestions that it was a contribution towards Britain's war effort. The pound has been firm so far this week, despite lower London interest rates.

Sterling rose 1 cent to $1.9575. It also improved to DM2.9175 from DM2.9150; to FFr9.9250 from FFr9.8925; to SFr2.4950 from SFr2.4925; and to Y257.00 from Y256.50. The pound's index climbed 0.1 to 94.3.

Within the EMS exchange rate mechanism sterling was again the second weakest currency, ahead of the French franc. Mr Pierre Beregovoy, the French finance minister, played down the franc's position in the ERM. In a radio interview he stressed that the franc has improved against the D-Mark since the increase in German interest rates at the end of last month. In Paris the D-Mark fell to FFr3.4015 from FFr3.4030, to be fixed at its lowest level since February 1.

In Madrid the Bank of Spain denied rumours of an imminent interest rate cut, but speculation about lower Spanish rates led to a slight easing of the peseta at the top of the ERM.

Technical problems at the Matif in Paris have prevented publication of French financial futures prices today.

£ IN NEW YORK

Feb 21	Latest	Previous Close
£ Spot	1.9580-1.9590	1.9495-1.9505
1 month	1.00-0.98pm	1.02-1.00pm
3 months	2.89-2.86pm	2.89-2.86pm
12 months	8.47-8.37pm	8.72-8.62pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

Feb 21	£	$
Iran	124.40	62.50
KoreaSth	1396.25 - 1418.75	718.80 - 724.40
Kuwait	N/A	N/A
Luxembourg	60.15 - 60.25	30.70 - 30.80
Malaysia	5.2645 - 5.2730	2.6975 - 2.6995
Mexico	5802.45 - 5807.40	2968.00 - 2969.00
N.Zealand	3.2600 - 3.2650	1.6655 - 1.6685
Saudi Ar	7.2805 - 7.3220	3.7490 - 3.7510
Singapore	3.3540 - 3.3620	1.7200 - 1.7220
S.Af (Cm)	4.9655 - 4.9785	2.5430 - 2.5460
S.Af (Fn)	6.3200 - 6.4225	3.2260 - 3.2785
Taiwan	53.10 - 53.20	27.10 - 27.15
U.A.E.	7.1310 - 7.1715	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.774	-4.38	5.77	77
Belgian Franc	42.4032	42.2028	-0.47	1.62	30
D-Mark	2.05586	2.05047	-0.26	1.40	26
Dutch Guilder	2.31643	2.31144	-0.22	1.35	18
Italian Lira	1538.24	1536.10	-0.14	1.28	14
Irish Punt	0.767417	0.770265	0.37	0.76	-10
Danish Krone	7.84195	7.88478	0.55	0.59	-18
Sterling	0.696904	0.702601	0.82	0.32	-16
French Franc	6.89509	6.97339	1.14	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9440 - 1.9620	1.9570 - 1.9580	0.98-0.96cpm	5.95	2.87-2.84pm	5.83
Canada	2.2450 - 2.2625	2.2535 - 2.2545	0.55-0.46cpm	2.69	1.52-1.38pm	2.57
Netherlands	3.2775 - 3.2950	3.2850 - 3.2950	1⅛-1cpm	3.88	3⅛-3pm	3.72
Belgium	59.70 - 60.25	60.15 - 60.25	20-15cpm	3.49	56-47pm	3.42
Denmark	11.1975 - 11.2345	11.1975 - 11.2075	2⅞-2⅛orepm	2.74	7⅞-6⅝pm	2.50
Ireland	1.0870 - 1.1110	1.0950 - 1.0960	0.24-0.19cpm	2.36	0.66-0.53pm	2.17
Germany	2.9145 - 2.9215	2.9150 - 2.9200	1-⅞pfpm	3.86	2¾-2⅝pm	3.68
Portugal	254.35 - 256.05	255.00 - 256.00	3-24cdis	-0.63	91-133dis	-1.75
Spain	181.10 - 182.25	181.40 - 181.70	16-22cdis	-1.26	56-68dis	-1.37
Italy	2181.80 - 2187.60	2186.00 - 2187.00	2lirepm-par	0.55	3-1pm	0.37
Norway	11.3725 - 11.4145	11.3725 - 11.3825	2⅝-2⅛orepm	2.50	6⅛-5⅝pm	2.04
France	9.9560 - 9.9430	9.9200 - 9.9300	3-2⅝cpm	3.48	8-7⅝pm	3.10
Sweden	10.8550 - 10.9025	10.8550 - 10.8650	1⅛-⅞orepm	1.10	2-1½pm	0.64
Japan	256.10 - 257.50	256.50 - 257.50	1⅛-1ypm	4.96	3⅛-3pm	4.86
Austria	20.45 - 20.55	20.50 - 20.53	6⅛-5⅛gropm	3.58	19⅜-16⅝pm	3.51
Switzerland	2.4870 - 2.5000	2.4900 - 2.5000	1⅛-1cpm	4.81	3⅛-2⅞pm	4.81
Ecu	1.4160 - 1.4190	1.4175 - 1.4185	0.41-0.36cpm	3.26	1.08-1.00pm	2.93

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.17-5.12cpm. 12 Month 8.45-8.35pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9440 - 1.9620	1.9570 - 1.9580	0.98-0.96cpm	5.95	2.87-2.84pm	5.83
Ireland†	1.7760 - 1.7885	1.7865 - 1.7875	0.62-0.57cpm	4.00	1.92-1.82pm	4.19
Canada	1.1505 - 1.1540	1.1515 - 1.1525	0.30-0.33cdis	-3.28	0.93-0.98dis	-3.32
Netherlands	1.6740 - 1.6895	1.6805 - 1.6815	0.31-0.33cdis	-2.28	0.97-1.02dis	-2.37
Belgium	30.60 - 30.85	30.70 - 30.80	6.00-8.00cdis	-2.73	18.00-22.00dis	-2.60
Denmark	5.7165 - 5.7600	5.7250 - 5.7250	1.50-1.80oredis	-3.45	4.85-5.45dis	-3.60
Germany	1.4845 - 1.4995	1.4900 - 1.4910	0.27-0.29pfdis	-2.25	0.89-0.92dis	-2.43
Portugal	130.60 - 130.95	130.60 - 130.70	70-80cdis	-6.89	250-270dis	-7.96
Spain	92.05 - 93.25	92.65 - 92.95	56-59cdis	-7.43	170-178dis	-7.49
Italy	1112.50 - 1122.75	1116.75 - 1117.25	4.90-5.30liredis	-5.48	15.30-16.30dis	-5.66
Norway	5.8100 - 5.8550	5.8100 - 5.8150	1.65-2.00oredis	-3.77	5.70-6.20dis	-4.09
France	5.0535 - 5.0960	5.0675 - 5.0725	1.13-1.18cdis	-2.73	3.63-3.73dis	-2.9
Sweden	5.5450 - 5.5820	5.5450 - 5.5600	2.25-2.50oredis	-5.14	7.50-7.95dis	-5.57
Japan	130.80 - 131.70	131.30 - 131.40	0.13-0.15ydis	-1.28	0.39-0.43dis	-1.25
Austria	10.4800 - 10.5405	10.5130 - 10.5180	2.10-2.50grodis	-2.62	6.20-7.30dis	-2.57
Switzerland	1.2695 - 1.2800	1.2735 - 1.2745	0.14-0.18cdis	-1.51	0.42-0.47dis	-1.40
Ecu	1.3745 - 1.3850	1.3810 - 1.3820	0.34-0.32cpm	2.87	1.05-1.00pm	2.97

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅞ - 13¾	13⅞ - 13¾	13¼ - 13⅛	12 13/16 - 12¾	12⅝ - 12½	11⅞ - 11¾
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	13 - 12	13 - 12	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

DM	0.343	0.671	1	88.07	3.401	[illegible]				
YEN	3.891	7.619	11.35	1000.	38.62	9.708	12.80	8510	8.770	234.2
F Fr.	1.008	1.973	2.960	258.9	10.	2.514	3.315	2204	2.271	60.65
S Fr.	0.401	0.785	1.170	103.0	3.978	1	1.319	876.6	0.903	24.13
H Fl.	0.304	0.595	0.887	78.12	3.017	0.758	1	664.7	0.685	18.30
Lira	0.457	0.895	1.334	117.5	4.538	1.141	1.504	1000.	1.031	27.53
C $	0.444	0.869	1.295	114.0	4.403	1.107	1.460	970.3	1	26.71
B Fr	1.661	3.252	4.847	426.9	16.49	4.145	5.465	3633	3.744	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

MATIF 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF)

	Open	Close	Change	High	Low	Yield	Open int.
March	90.36	90.39	+0.04	90.43	90.33	9.60	17,960
June	90.66	90.66	+0.02	90.69	90.62	9.34	15,164
September	90.80	90.82	+0.04	90.84	90.80	9.13	4,497
December	90.87	90.86	+0.06	90.88	90.86	9.14	1,452

Estimated volume 10,450 Total Open interest 39,073

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
February	1709.0	1712.0	-1.0	1725.0	1701.0	7,383
March	1720.0	1728.0	+1.0	1739.0	1716.0	4,088
April	1731.0	1731.0	-8.0	1731.0	1731.0	4
June	-	-	-	-	-	200

Estimated volume 8,767 Total Open interest 11,675

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9575	1.9478	1.9290	1.9061	1.8735

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.9462	1.9498	1.9460	1.9392
Jun	1.9200	1.9226	1.9194	1.9118
Sep	-	-	-	1.8906

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	13½	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc	16	Standard Chartered	13½
Bank Credit & Comm	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	13½
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	13½
Benchmark Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit Bk of Mid East	13½	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shanghai	13½		
CL Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk.	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm.Bk.of London Plc	13½	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates fall

INTEREST RATES declined in London, despite Wednesday's signal from the Bank of England indicating caution to market hopes for an early reduction in interest rates.

Market optimism hinged on hopes that the Bank of Spain would cut rates, to ease upward pressure on the peseta in the ERM, thus providing room for a further cut in UK rates without pushing the pound below its floor in the system.

UK clearing bank base lending rate 13.5 per cent from February 13, 1991

The Spanish authorities issued a statement denying there was any foundation for the rumours, but this had no impact on wholesale rates in London, which continued to ease.

Dealers said that a cut in the mortgage rate for first time house buyers by the Halifax Building Society had increased market pressure for lower UK rates.

Three-month interbank fell to 12 13/16-12 11/16 from 13-12⅞ per cent, while the bullish mood pushed prices of short sterling futures higher on Liffe. March delivery rose to 87.46 from 87.39.

There was no further direct warning yesterday from the UK authorities on interest rates, but the Bank of England kept the very short end of the money market tight by not supplying enough assistance to take out the full underlying day-to-day credit shortage.

Overnight money touched 15 per cent, despite the easing of fixed period rates. The Bank of England initially forecast a credit shortage of £1,150m, but revised this to £1,100m at noon and to £1,200m in the afternoon. Total assistance of £1,087m was provided.

An early round of help was offered and at that time the authorities bought £54m bank bills in band 2 at 13¼ per cent. Before lunch another £82m bank bills were purchased in band 1 at 13⅜ per cent. In the afternoon the Bank of England bought £686m bills, by way of £3m Treasury bills in band 1 at 13⅜ per cent, £389m bank bills in band 1 at 13⅜ per cent and £294m bank bills in band 2 at 13¼ per cent. Late assistance of around £265m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £777m, with exchequer transactions absorbing £330m and a rise in the note circulation £65m. These outweighed bank balances above target of £20m.

In Frankfurt call money eased to 8.65 from 8.70 per cent in quiet trading.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.21) 3 months US dollars		6 months US Dollars	
bid 6 3/16	offer 6 5/16	bid 6 3/16	offer 6 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9
Broker loan rate	8½
Fed. funds	6⅜
Fed funds at intervention	6⅛

Treasury Bills and Bonds

One month	6.18	Three year	7.12
Two month	6.04	Four year	7.31
Three month	6.09	Five year	7.49
Six month	6.18	Seven year	7.75
One year	6.28	10-year	7.86
Two year	6.90	30-year	8.04

Feb.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.60-8.70	8.70-8.85	8.75-8.90	8.80-8.95	8.85-9.00	9.00
Paris	9 3/16-9 7/16	9⅜-9½	9⅜-9½	9 7/16-9 9/16	9½-9⅝	9.25
Zurich	7⅜-7⅝	7¾-8	-	7¾-8	-	-
Amsterdam	8.87-9.00	8.95-9.05	-	8.95-9.05	-	-
Tokyo	8 3/16-8⅜	8 1/16-8¼	-	7⅞-7 11/16	-	-
Milan	12⅞-13⅛	13⅛-13⅜	-	13⅛-13⅜	-	-
Brussels	-	9⅛-9 5/16	-	9⅛-9⅜	-	-
Dublin	11-11⅛	11 1/16-11 3/16	11 1/16-11 3/16	11 1/16-11 3/16	11-11⅛	-

LONDON MONEY RATES

Feb 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	17	13¾	13⅜	12 13/16	12½	11 15/16
Interbank Bid	13½	13½	13¼	12 11/16	12¼	11 13/16
Sterling CDs	–	–	13 5/16	12¾	12¼	11 13/16
Local Authority Deps.	13⅝	13⅝	13 3/16	12 11/16	12¼	11 13/16
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	13¾	13½	13 3/16	12¾	–	–
Company Deposits	–	–	13⅜	12⅞	12 7/16	11⅞
Finance House Deposits	–	–	13¼	13	12½	12
Treasury Bills (Buy)	–	–	12 31/32	12¼	11⅝	–
Bank Bills (Buy)	–	–	13	12¼	11⅞	–
Fine Trade Bills (Buy)	–	–	13⅝	12⅞	12⅜	–
Dollar CDs	–	–	6.52	6.63	6.63	6.85
SDR Linked Dep. Offer	–	–	8¼	8 5/16	8¼	8¼
SDR Linked Dep. Bid	–	–	8⅛	8 3/16	8⅛	8⅛
ECU Linked Dep. Offer	–	–	9 7/16	9⅝	9 9/16	9 9/16
ECU Linked Dep. Bid	–	–	9 5/16	9½	9 7/16	9 7/16

Treasury Bills (sell); one-month 12 31/32 per cent; three months 12⅛ per cent; six months 11½ per cent; Bank Bills (sell): one-month 12 31/32 per cent; three months 12⅛ per cent; Treasury Bills: Average tender rate of discount 12.1298 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1991. Agreed rates for period Feb 26, 1991 to Mar 25, 1991, Scheme I: 15.10 p.c., Schemes II & III: 15.26 p.c. Reference rate for period Jan 1, 1991 to Jan 31, 1991, Scheme IV&V: 14.012 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

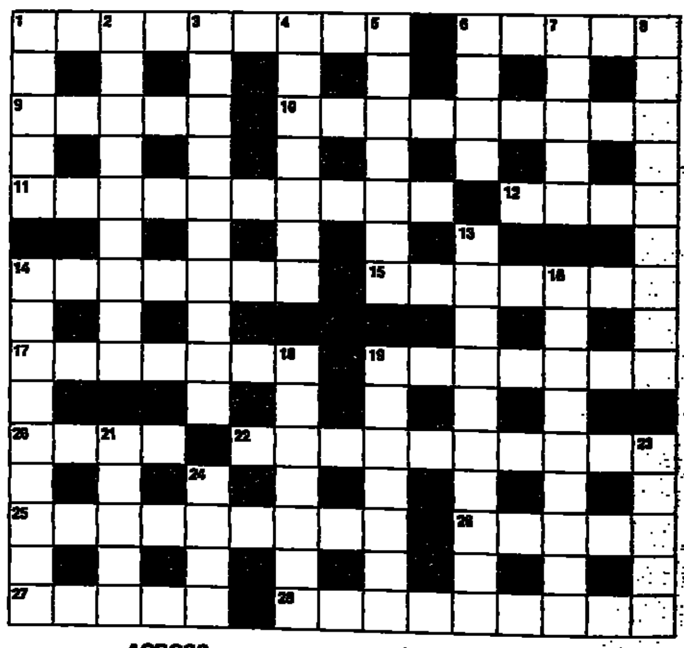
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,476 Set by TANTALUS



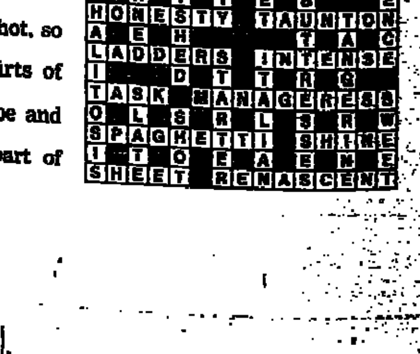
ACROSS

1, 6 Make a quick delivery? (4,2,3,5)
9 Boy going to party to provide music (5)
10 "Too quick despairer —— wilt thou go?" (Arnold) (9)
11 The RA causes intense grief (10)
12 Leave sector (4)
14 Fifty litres mixed for part of the garden? (7)
15 Manor house needs me badly (7)
17 Incited, otherwise it's the very same (7)
19 Girl goes back into river for spear (7)
20 Fear not! make money in here (4)
22 Flying policeman? (10)
25 Given £500, teachers get something to eat (6,3)
26 Run in the next race (5)
27 Oriental in pleasant surrounding meets relation (5)
28 Finished on time – sure to make advances (9)

DOWN

1 Place of worship not hot, so get a plain cap (5)
2 Element from outskirts of moon (9)
3 Toil with cotter maybe and discover rock (10)
4 In the direction of part of hospital? (7)
5 Soldiers go up with a lord to find gem (7)
6 Have a look either way (4)
7 I'd love the French to have false ideas (5)
8 Well, you don't need it! (9)
13 Excitedly point to men having great power (10)
14 Community member almost best in army manoeuvre (9)
16 One looking at old periodical (9)
18 Can load material, but it's gradually slower (7)
19 Stage for sawbones? (7)
21 Rover detailed to locate mountain (5)
23 Once a piece of writing for tests (5)
24 Tennis player heard to give up (4)

Solution to Puzzle No.7,475



WORLD STOCK MARKETS

AUSTRIA

February 21	Sch	+ or −
Austrian Airlines	2,790	−30
Creditanstalt	3,275	−115
EA General	4,550	−60
Jungbunzlauer	9,000	−100
Laenderbank	1,270	−20
DeMV	9,350	....
Perlmooser Zement	1,580	−20
Radex Heraklith	795	−10
Reininghaus Brue	1,845	−6
Steyr Daimler		−364
Veitscher Magnesit	718	+3
Verbund (Be) A	546	....
Wienerberger	5,740	−60

BELGIUM/LUXEMBOURG

February 21	Frs.	+ or −
ACEC-Union Min	2,665	+65
Arbed	3,500	−30
BBL	2,560xd	−20
Bank Intl a Lux	12,600	+90
Banq Gen Lux Pts	12,500	....
Barco	1,214	+52
Bekaert	7,980	−10
CBR Ciment	6,990	−60
Cobepa	5,360	−20
Cobepa AFV 1	5,250	+10
Cockerill Priv	161	+3
Colruyt	2,905	−40
Delhaize Frs Lion	6,380	+30
Electrabel	4,735	−10
Electrabel AFV	4,710	−30
Electrafina	6,500	−100
Fabrique Nat	170	−1
GBL AFV 1	3,450	−150
GIB Group AFV	1,296	−4
GBL	3,600	....
GIB Group	1,232	+4
Gechem	748	−14
Gechem AFV	694	+2
Generale Banque	4,985	+10
Gen Banque AFV 1	5,100	+40
Gevaert	7,200	+90

FRANCE (continued)

February 21	Frs.	+ or −
Bouygues	542xd	+11
CGIP	1,052	−12
C M B Packaging	122	+0 60
Canal+	870	+17
Cap Gemini S	403.50	+3.50
Carrefour	3,531	−19
Casino	149 60	−0 40
Cetelem	614	+10
Chargeurs	761	−5
Ciments Fr	1,188	+19
Club Mediterranee	472.10	+10.30
Cogifi	382	+2
Coparex	581	−2
C C F	170.50	+3.30
Cr Fonc France	1,080	+1
Cred Lyon (CI)	635	−12
Credit Nationale	1,220	+48
Damart	2,050	+115
Docks de France	3,860	−40
Dollfus Mieg Cie	404.90	+16.90
EBF	885	+6
Eaux Cie Genl	2,479	+30
Ecco	358	+7
Elf-Aquitaine	290	+2.10
Elf-Aquitaine Certs	216	−1
Essilor Int	386 10	+3 60
Etex	1,520	+31
Eurafrance	1,713	+23
Eurocom	791	−3
Euro Disney	111	+0.50
Euromarche	3,295	+16
Exor	1,395	+45
Finextel	146	+3.50
Fonc Lyonnaise	820	+15
From C et Auv	1,890	+65
GTM-Entrepose	376	..
Gaumont (Soc N)	881	....
Gen Occidentale	715	+21
Geophysique	635	+34
Hachette	208	+9.90
Havas	477	+3
Imetal	266	+4.50
Imm de France	1,000	−10
Immobanque	735	+11
Immob Phenix	139 20	−0.80

CANADA

TORONTO

3:00 pm prices February 21

Quotations in cents unless marked $

MONTREAL

3:00 pm prices February 21

Sales	Stock	High	Low	Close	Chng
51500	Macmillan x	$19¼	18⅞	18⅞	−⅛
1600	Memotec	$8¾	8⅝	8⅝	
146700	NatBk Can	u$9⅝	9⅜	9⅜	
10600	Provigo	$11⅝	11⅜	11⅝	+⅛
4100	Quebecor A	u$18½	18¼	18¼	−⅛
2300	Videotron	$13¾	13⅝	13⅝	−⅛

Total Sales 13,740,000 shares

INDICES

NEW YORK

DOW JONES	Feb. 20	Feb. 19	Feb. 18	Feb. 15	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2899.01	2932.18	(c)	2934.65	2934.65 (15/2)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.45	94.79	(c)	94.86	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1113.89	1118.83	(c)	1119.18	1127.12 (11/2)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.73	216.11	(c)	215.48	217.62 (11/2)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2923.76 (2955.20) Low 2879.46 (2895.30)

STANDARD AND POOR'S	Feb. 20	Feb. 19	Feb. 18	Feb. 15	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	365.14	369.39	(c)	369.06	369.39 (19/2)	311.49 (9/1)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	432.05	436.58	(c)	435.43	436.58 (19/2)	364.90 (9/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.74	28.28	(c)	28.68	28.80 (13/2)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	199.26	201.40	(c)	201.29	201.40 (19/2)	170.97 (9/1)	201.29 (15/2/91)	4.46 (25/4/42)
Amex Mkt. Value	341.99	343.70	(c)	342.73	343.70 (19/2)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	446.02	450.32	(c)	448.71	450.52 (19/2)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb.15	Feb. 8	Feb. 1	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.57	3.70	4.14

	Feb. 13	Feb. 6	Jan.30	year ago (approx.)
S & P Industrial div. yield	2.91	3.01	3.20	3.09
S & P Indl. P/E ratio	17.89	17.39	16.58	14.23

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Limited Inc	7,247,600	23⅞	- ⅜
RJ Nabisco	5,845,300	7⅜	+ ⅛
Square D	3,702,200	72⅛	+ 20⅛
Hewlt-Pack	3,461,100	46½	+ ⅞
Phillip Morris	3,026,800	64⅛	- ⅞
Boeing	1,878,800	48	- 1⅜
IBM	1,853,700	138	- 1½
Upjohn	1,851,000	44½	+ 3⅛
Nat Semi	1,674,400	7	+ ⅜
Pepsico	1,606,900	31⅝	- ⅜

TRADING ACTIVITY

† Volume Millions	Feb. 20	Feb. 19	Feb. 18
New York	185.680	189.900	-
Amex	12.878	9.867	-
NASDAQ	142.243	132.892	-
Issues Traded	2,038	2,036	-
Rises	504	779	-
Falls	1,091	857	-
Unchanged	443	400	-
New Highs	74	108	-
New Lows	3	4	-

CANADA

TORONTO	Feb. 20	Feb. 19	Feb. 18	Feb. 15	1991 HIGH	1991 LOW
Metals & Minerals	3143.92	3220.08	3224.35	3177.95	3224.35 (18/2)	2632.06 (9/1)
Composite	3493.54	3530.94	3532.54	3506.55	3532.54 (18/2)	3161.95 (15/1)
MONTREAL Portfolio	1855.23	1877.99	1882.70	1867.39	1882.70 (18/2)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 21	Feb. 20	Feb. 19	Feb. 18	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1367.8	1372.2	1398.7	1399.3	1399.3 (18/2)	1204.5 (16/1)
All Mining (1/1/80)	593.5	595.6	609.7	607.5	609.7 (19/2)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	490.37	495.40	501.52	490.16	501.52 (19/2)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5492.63	5534.78	5563.58	5406.21	5563.58 (19/2)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	344.40	345.08	346.78	341.69	346.78 (19/2)	302.26 (8/1)
FINLAND						
Unitas General (1975)	383.9	384.9	384.0	381.7	387.9 (2/1)	348.4 (9/1)
FRANCE						
CAC General (31/12/82)	453.47	448.29	451.55	444.80	453.47 (21/2)	394.88 (15/1)
CAC 40 (31/12/87)	1709.72	1693.07	1700.93	1694.96	1709.72 (21/2)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	663.73	663.00	671.26	658.84	671.26 (19/2)	570.48 (15/1)
Commerzbank (1/12/53)	1892.1	1888.8	1912.5	1877.7	1912.5 (19/2)	1612.5 (15/1)
DAX (30/12/87)	1566.32	1567.32	1587.13	1572.57	1587.13 (19/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3477.61	3492.16	3467.84	3473.42	3492.16 (20/2)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1318.41	1302.99	1303.94	1304.91	1318.41 (21/2)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	564.26	561.03	570.35	570.38	570.38 (18/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26024.37	26198.79	26166.98	26230.01	26230.01 (18/2)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1934.52	1947.43	1957.61	1954.81	1957.61 (19/2)	1625.00 (17/1)
2nd Section (4/1/68)	2948.29	2957.31	2959.20	2935.24	2959.20 (19/2)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	554.42	562.26	555.34	545.96	562.26 (20/2)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	243.1	243.6	245.7	244.8	245.7 (19/2)	221.4 (16/1)
CBS All Shr (End 1983)	177.8	178.1	179.7	179.0	179.7 (19/2)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	671.97	669.52	675.21	673.86	680.58 (14/2)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	931.22	914.17	894.52	885.10	931.22 (21/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	377.14	380.76	377.05	376.48	380.76 (20/2)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1010.0§	1024.0	1008.0	1036.0	1367.0 (14/1)	976.0 (6/2)
JSE Industrial (28/9/78)	3219.0§	3258.0	3242.0	3199.0	3258.0 (20/2)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	672.10	669.91	669.45	674.09	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	256.67	255.13	256.36	256.98	256.98 (18/2)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1014.3	1013.9	1010.2	993.7	1014.3 (21/2)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	682.0	676.6	686.0	685.8	686.0 (19/2)	590.4 (14/1)
SBC General (1/4/87)	577.7	572.7	581.5	582.2	581.5 (19/2)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5181.98	4950.68	5048.48	(c)	5181.98 (21/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	776.56	817.24	823.66	821.21	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	517.8*	517.9	523.8	524.2	524.2 (18/2)	439.1 (16/1)

**Saturday February 16: Taiwan Weighted Price: (c). Korea Comp Ex. (c).
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 21 February 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Mng	32.6m	677	-41
Tokyu	26.6m	1,570	+50
M'bishi Mtrls	17.2m	816	-52
Sanyo-Kaku Pulp	14.8m	681	+51
Tokyo Gas	13.9m	849	+33
Pnta-Ocn Cnstrn	13.1m	1,150	+70
Toyo Kanetsu	11.9m	1,310	+10
Kurabo Inds	11.8m	1,790	+40
Nippon Steel	11.5m	506	-3
Ebara	11.0m	1,730	+70

FACTORING

The FT proposes to publish this survey on **4th April 1991.**

The FT reaches more UK board directors/managers in small organisations with up to 100 employees than any other quality daily. If you want to reach this important audience, call Andrew Muir on 071 873 4063 or fax 071 873 3078.

FT SURVEYS

3:15 pm prices February 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12¾	9¼	AAR Corp			7	347	12⅝	12½	12⅝	+⅛
27¼	21⅝	A L Labs A			18	71	22⅝	22¼	22¼	−⅛
52¼	40⅞	AMP Inc	1.44	0.03	18	960	50	48¾	49¼	−⅜
60⅜	44¼	AMR			9	16367	59⅝	58⅛	58⅛	
2½	1¼	ARX			2	102	1⅝	1½	1½	−⅛
49⅝	41½	ASA x	3.00	0.07	12	695	43⅛	42⅝	42⅝	−⅝
47⅞	39¼	Abbott Lab			21	2697	46⅛	45½	45⅝	+⅛
13	9⅞	Abtibbi Pr			30	19	12⅝	12½	12½	
11½	10⅞	ACM Gvt In				732	11	10⅞	11	
9½	8⅞	ACM GvOpp				108	9¼	9⅛	9⅛	−⅛
9	8¼	ACM Gvt Sc	0.34	0.04		318	u9	8⅞	8⅞	
10¾	9⅞	ACM Gvt Se t				737	10½	10⅜	10½	+⅛
8⅛	7⅝	ACM Man				347	u8⅛	8	8	−⅛
12½	11⅞	ACM Managd				287	12¼	12⅛	12¼	+⅛
7⅛	4⅛	Acme Clevel	0.40	0.06	19	15	6⅞	6⅝	6⅞	
6	4⅞	Acme Elect			16	25	5	5	5	+⅛
35⅞	22⅛	Acuson			26	179	35	34⅝	34⅞	−⅛
16¾	14⅛	Adams Expr x	0.48	0.03	0	63	16⅝	16⅛	16½	
20	18⅞	Adobe12Pf				71	19⅞	19⅝	19⅞	
9¼	7½	Adobe Res			13	130	9⅛	9	9	
26½	18	Ad Micro				78	25⅞	25	25½	+1
8¼	4⅝	Ad Micro P	3.00	0.37	15	4703	u8¼	8	8⅛	
4⅞	2¼	Advest Grp			2	108	3½	3⅛	3½	
48⅞	33⅞	Aetna LI	2.76	0.06	7	1748	47½	46	46¼	−1⅛
9½	6⅝	Affil A x	0.24	0.02	26	158	9⅝	9¼	9⅜	
17½	12	Ahmanson	0.88	0.05	8	1854	16⅞	16¼	16½	
3⅞	2⅞	Aileen Inc			7	88	3⅞	3⅝	3⅝	+⅛
61½	51½	Air Pr Chm			13	508	59⅞	59⅛	59⅞	+⅛
25	16⅝	Airborne Frt x	0.30	0.01	12	390	23⅛	21⅝	22	−⅞
[illegible]										

- A - (continued) · - B - · - C - · - D - · - E - · - F - · - G - · - H - · - I - · - J - · - K - · - L - · - M - · - N - · - O - · - P - Q -

[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
49	43¼	Xerox4.125				4	48¾	48	48¾	
19⅞	14⅛	Xtra 1.94				4	19½	19½	19½	
22	14¼	Xtra Corp	0.72	0.03	11	181	u22¼	21⅞	22⅛	+¼
1	½	Zapata			0	128	½	⅞	⅞	
7⅞	6⅛	ZenithElec			8	773	7½	7⅛	7¼	
15⅝	12	Zenith Nat	1.00	0.08	33	249	u15¾	15½	15¾	+⅛
5	4½	Zenix Inc	0.28	0.06		176	u5	4⅞	5	
13⅛	10⅞	Zero Corp	0.72	0.06	13	203	u13⅛	12⅞	13	
41⅞	29½	Zurn Ind	0.88	0.02	15	405	37⅞	37	37⅛	−⅝
12¼	10¼	Zweig Fund				234	u12¼	12	12	−¼
9¾	8½	Zweig Tst				1117	u9¾	9½	9⅝	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 21

NASDAQ NATIONAL MARKET

3:15 pm prices February 21

FINANCIAL TIMES

Friday February 22 1991

AMERICA

Confusion over the Iraqi response unsettles equities

Wall Street

SHARE PRICES were little changed yesterday morning, amid sporadic buying, but confusion over the Iraqi response to the Soviet peace plan and concern that a ground war is about to start robbed the market of conviction, *writes Patrick Harverson in New York.*

At 1.30 pm, the Dow Jones Industrial Average was down 1.98 at 2,897.03, having spent most of the morning in negative territory. The other main indices followed a similar pattern: at 1 pm, the Standard & Poor's 500 was up 0.79 at 365.93 and the Nasdaq composite was 1.29 higher at 447.21.

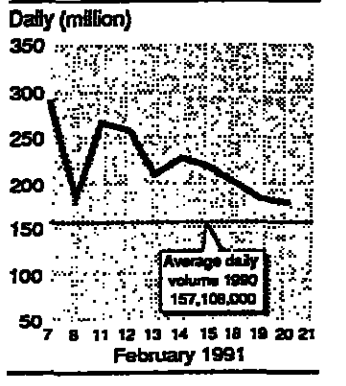
Volume was 107m shares by 1 pm, with rises leading falls by 773 to 624.

The early weakness in equities stemmed from Iraqi President Saddam Hussein's morning speech, which included a vow not to surrender. However, the Iraqi foreign minister's visit to Moscow, due later yesterday, allowed the market to cling on to the hope that a peaceful compromise could yet be fashioned.

Prices were also helped by comments from Mr Alan Greenspan, chairman of the Federal Reserve. Appearing before Congress for the second day, Mr Greenspan said that he saw no sign of the credit crunch easing – a comment which, some analysts believed, left the door open to further interest rate cuts.

The NCR/AT&T takeover battle was back in the headlines yesterday, with NCR shares rising $1 to $92¾, after the computer group unveiled more defensive measures

NYSE volume



aimed at rebuffing AT&T's hostile $6.1bn bid. NCR announced *a $500m employee stock* ownership plan, which will place about 10 per cent of the company's equity *in the hands of its staff.* NCR also said that it would pay a special dividend of $1 to add to an already increased quarterly dividend of 37 cents a share. AT&T shares were unchanged at $33⅞.

Philip Morris rose $2⅞ to $66¾ on turnover of 2.9m shares after the company projected net cash flow of $18bn in the next five years, up from a previous estimate of $15bn.

Dresser Industries, the energy and natural resources group, fell $1 to $21⅝ in busy trading after reporting a decline in fiscal first quarter profits from 16 cents a share last year to 11 cents a share.

Champion International slumped $2⅞ to $26⅞ on turnover of nearly 500,000 shares after the building materials and paper products group slashed its dividend from 27½ cents to 5 cents a share, announced a cut in capital spending and predicted break-even results for the first quarter of 1991.

Canada

THE ADDRESS by Iraqi President Saddam Hussein vowing to continue the war had little effect on Toronto stocks, which remained lower at midday in nervous activity. The market focused on the economy and further signs of easing by the US Federal Reserve.

The composite index lost 4.4 to 3,489.2. Declines led advances by 217 to 206 on volume of 11.5m shares.

Moore Corp fell C$1 to C$28¼ after annoucing a drop in fourth quarter earnings. Labatt fell C$⅝ to C$24⅞, after climbing sharply on Wednesday on rumours of a bid.

EUROPE

Individual stocks feature before Saddam statement

THE COMMENTS by Iraqi President Saddam Hussein yesterday, indicating that he intended to continue the war, slightly reduced gains in the late-closing bourses. Elsewhere, individual stocks provided most of the interest, *writes Our Markets Staff.*

PARIS was buoyant on the first day of the new monthly account. Investors apparently thought that there was a good chance that the Middle East conflict would be resolved within the next four weeks.

Mr Saddam's statement *knocked a few points off the* index, but, as one observer said, the markets seem to have discounted a ground war, and expect it to be short and one-sided. The CAC 40 index closed 16.65 or 1 per cent higher at 1,709.72, after a day's peak of 1,721.96. Turnover was estimated at FFr2.6bn, down from FFr3.4bn.

Cyclicals were strong. Rhône-Poulenc's CIs gained FFr19.50 or 6.6 per cent to FFr314.90 with 208,775 exchanged, after the previous day's results and earnings forecast. Investors were focusing on the chemical company's recovery potential, although some dealers remained worried about the prospects for the next few quarters.

Schneider recovered FFr29 or 4.2 per cent to FFr715 on 115,975 shares, after the previous day's FFr41 fall in response to its takeover bid for Square D of the US. Total rose FFr7 to FFr637 after reporting results in line with expectations.

FRANKFURT majored on the automotive business, a forecast of Daimler shoring up its recent gains and leaving the shares DM10.80 higher on the day at DM617. Domestic investors have been getting excited about the new S series, and in London James Capel revised its recommendation from a sale to a hold yesterday.

BMW, which has a new 3 series to add to its attractions, was tipped by UBS Phillips & Drew and accelerated to end DM6 higher at DM475.50. Otherwise, blue chips were relatively dull as the FAZ index rose a mere 0.73 to 663.73 in midsession and the DAX closed 1.00 lower at 1,566.32.

Volume fell again, from DM6.5bn to DM5.6bn. Among the fallers, BASF stood out with a drop of DM5.90 to DM233.20. The company, apparently, has given some analysts mixed impressions about this *year's earnings prospects.*

MADRID had a burst of enthusiasm on rumours of an imminent interest rate cut – described by the Bank of Spain as without foundation – but Mr Saddam's speech trimmed gains. The general index rose 1.59 to 256.72 in turnover estimated at Pta16bn after Wednesday's Pta18.3bn.

Ercros, the chemicals company, leapt 13.6 per cent in late trading, closing Pta120 higher at Pta1,000 on 804,511 shares. It was revealed that a group of directors have bought a 17 per cent stake.

AMSTERDAM retreated at the close, as the first reports of the speech arrived. The CBS Tendency index closed at 87.0, up 0.3 but off the day's high of 87.3. Volume was light at Fl 625m.

Disappointing results from Royal Dutch's chemical division and from Rhône-Poulenc of France pushed Akzo Fl 2.20 lower to Fl 92.50 and DSM Fl 2.10 down to Fl 99.50. Cyclical stocks had enjoyed a good rally recently and many investors were now cashing in, one analyst said.

MILAN had an insignificant day, in turnover estimated at below Wednesday's L170bn. The Comit index rose a small 3.23 to 564.26.

Olivetti jumped L195 or 5.7 per cent to L3,620 on speculation that Stet, the state-owned telecommunications company, would buy a stake. Stet firmed L27 to L2,198. But dealers pointed out that only 1m shares in Olivetti were traded, and that the computer company had not participated in the market's recent rally.

ZURICH climbed in afternoon trading, the Crédit Suisse index closing 6.3, or 1.2 per cent higher at 521.0, although volume receded again.

Omni Holding, controlled by Mr Werner Rey, denied that Metro International had pulled out of a deal to take a substantial stake in the company, and to provide it with a standby credit. Omni fell SFr80 to SFr820.

STOCKHOLM was flat overall, although buying interest in Astra continued. Speculation that the Wallenberg family might choose to sell its interest in the pharmaceutical company also supported the price. Astra free B shares rose SKr9 to SKr500. Trading in Astra shares accounted for one third of the total SKr335m.

The Affärsvärlden General index edged up 0.4 to 1,014.3. The construction sector was dragged lower by a SKr15 fall in Skanska free Bs to SKr385.

BRUSSELS was mixed as selected shares surrendered part of their recent gains. The cash market index fell 42.15 or 0.8 per cent to 5,492.63 in lower volume of BFr690m.

Société Générale de Belgique recovered BFr60 to BFr2,280. Finoutremer jumped BFr240 or 9.1 per cent to BFr2,870 on speculation that La Générale would shed part of its controlling stake in the investment company.

ATHENS lost another 2.4 per cent, as the technical correction continued after Tuesday's 9.4 per cent advance. The general index fell 28.87 to 1,173.33. LISBON's BTA index lost 20.7 to 2,274.5.

Foreigners pick familiar electronic sector

But analysts are divided over the prospects for new chips, writes **Emiko Terazono**

WHEN foreign investors returned to the Tokyo stock market in the recent rally, they focused on those companies most familiar to them. Electronics issues have been prominent, with Fujitsu and Toshiba, for example, gaining more than 18 per cent since the beginning of February, outperforming the Nikkei average, which has risen 12 per cent.

Industrial electronic shares have been in demand as laggards, following bullish recommendations from analysts. Many feel that the worst is over for the electrical sector, with forecasts of stronger fundamentals, a somewhat firmer dollar and lower interest rates helping stocks.

Business confidence in the Japanese electronics companies waned during the second *half of last year,* as excessive supply hit the semiconductor market at a time when demand was slowing because of the sluggish US economy.

Recent projections that the US economy will bottom out in the latter half of this year and that the dollar will strengthen to the Y140 level from the current Y131.5, have encouraged investors to buy electrical/electronic stocks while they are relatively cheap.

The silicon cycle, or the US book-to-bill ratio, which is regarded as a leading indicator of US industrial production, seems to be showing signs of reaching a bottom. Mr Matt Aizawa, senior analyst at Merrill Lynch Japan, says: "We think that the cycle is going to bottom out in the middle of this year due to increases in orders of mainframe computers in the US."

Mr Aizawa projects that Fujitsu's operating income for semiconductors will double in the six months to March 1992 to Y6.6bn ($50m), from Y3.3bn in the same period this year.

Forecasts for the semiconductor industry in fiscal year 1991 are firm: the World Semiconductor Market Figures Conference forecasts growth of 12.5 per cent, while Nikkei Electronics estimates an increase this year of 10.2 per cent.

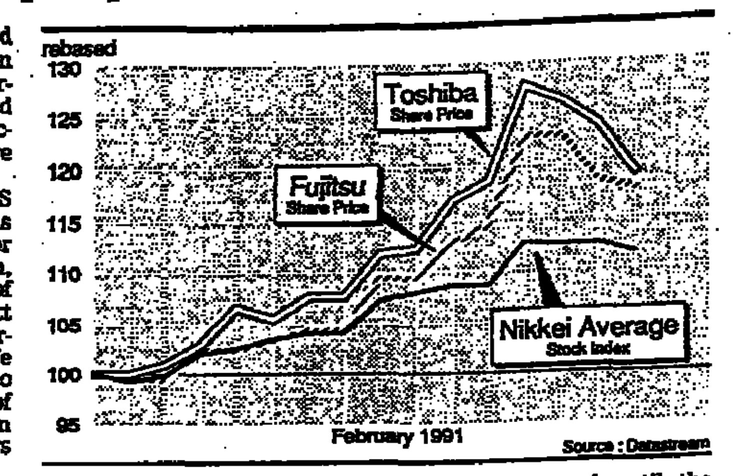
Recovery for the industry could be slow, however, depending on the shift to 4 megabyte D-Rams (dynamic Ram chips) from 1MB D-Rams. *Prices* for the 1MB chip are weakening and profit margins are declining. While computer manufacturers are planning to launch new products using 4MB D-Rams, the US recession and slower domestic demand may delay demand until the second half of this year.

There are some bears who contend that the sector is not ripe for investment. Mr Chuck Goto at S.G. Warburg feels *that, even if the shift* to 4MB D-Rams accelerates, it would take a considerable upturn in the computer market for the new chips to be as profitable as the old 1MB versions.

Mr Barry Dargan at James Capel is telling investors that it is too early to buy stocks in the leading semiconductor producers. "They will suffer heavy depreciation charges as a result of high capital spending," he says. A cutback in production, owing to a slowing domestic economy, is also an unattractive factor, he adds.

Looking at individual companies, profits for the year ending March this year will be affected by the sluggish semiconductor market. Oki Electric lowered its pre-tax forecast to Y20bn from Y26bn, hurt by the collapse in 1MB D-Ram prices. Toshiba and Mitsubishi Electric (Melco) have also been hard hit by the price fall, with Toshiba forecasting a 22.4 per cent year-on-year decline in non-consolidated operating profits to Y190bn and Melco a 12.4 per cent fall to Y140bn.

There is speculation in the market that Hitachi may revise its pre-tax profits downwards from the previously forecast Y225bn. A company spokesman refused to comment, saying that he did not want to lie.



ASIA PACIFIC

Profit-takers and arbitrageurs depress Nikkei

Tokyo

VOLUME stayed high yesterday in arbitrage-related activity, but equities turned down on foreign profit-taking after another volatile day, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 174.42 to 26,024.37 in volume of 850m shares, against 900m on Wednesday. The day's low of 25,954.29 came early on profit-taking, and the high of 26,217.19 occurred later in the morning on buying by traders and individuals. Programme selling by investment trusts depressed prices throughout the afternoon.

Declines finally led advances by 619 to 401 with 135 issues unchanged. The Topix index of all first section stocks declined 12.91 to 1,934.52, but in London the ISE/Nikkei 50 index edged up 1.81 to 1,487.16.

Mr Toyoharu Tsutsui at CS First Boston said the market was "out of breath" after the big rallies it had staged recently. He added that investors were waiting for the out*come of talks between the* Soviet Union and Iraq.

Investors bought paper and pulp issues as laggards. Sanyo-Kokusaku Pulp jumped Y51 to Y681 in heavy trading, and Jujo Paper put on Y5 to Y735. The rubber sector was also considered cheap. Okamoto climbed Y26 to Y820 and Kinugawa Rubber Y29 to Y619.

Large-capital issues retreated on profit-taking, but Nippon Steel shed only Y3 to Y508 in spite of reports that it would post a loss for the year ending March next year.

Nippon Mining, the most active issue of the day, dropped Y41 to Y677. Traders said individual investors took profits in the issue and in Mitsubishi Material, which finished Y52 down at Y816.

Special situations included Snow Brand Milk Products, which gained Y20 to Y860. Investors were encouraged by its entry into B-type hepatitis vaccine production. In con*struction,* Penta-Ocean, which specialises in waterfront projects, advanced Y70 to Y1,150 in anticipation that the company would participate in the reconstruction of the Gulf.

Some bank shares were weaker on reports that the Bank for International Settlements will tighten its requirements by excluding loan loss reserves from capital, effective from the end of 1993. Industrial Bank of Japan fell Y130 to Y3,310 and Sumitomo Bank Y90 to Y2,530.

Sony weakened Y300 to Y6,850 on announcing a decline in operating profits for the three months to end-December.

Issues related to environmental protection gained ground. Ebara, an industrial pump manufacturer specialising in sewage disposal, moved ahead Y70 to Y1,730 and Kurita Water, a leading water treatment equipment maker, advanced Y20 to Y2,600. Takuma, a manufacturer of garbage incinerators and water-treatment plants, appreciated Y90 to Y1,620 on rumours that the company was developing a processor which turns plastic waste into solid fuel.

In Osaka, the OSE average shed 172.62 to 28,674.80 on volume of 65.5m shares. Electric machinery and non-ferrous metal shares, which had been popular recently, lost ground.

Sumitomo Precision Products, an aircraft parts maker, rose Y80 to Y1,620, responding to brisk sales of its ozone generating machine.

Roundup

PACIFIC RIM markets, with the notable exception of Taiwan, mostly declined yesterday on concern about the Gulf, although some had partially recovered by the close.

TAIWAN was boosted by abundant liquidity and continued buying by institutional investors. The weighted index forged ahead 231.3 or 4.67 per cent to 5,181.98, the highest close since August 2 last year. Volume amounted to T$77.97bn, against T$75.97bn.

HONG KONG came off the day's lows but still ended with a loss. The Hang Seng index shed 14.55 to 3,477.61 in turnover of HK$1.46bn, after Wednesday's HK$1.42bn.

Cathay Pacific was 10 cents lower at HK8.30 after hinting that it might have to drop its dividend on 1990 results.

MANILA saw some profit-taking, but a $900m IMF loan supported the market. The composite index rose as high as 937.99 before closing 17.05 ahead at 931.22 in turnover of 193.8m pesos, up from 157.8m.

NEW ZEALAND fell for the third day in a row. The Barclays index slipped 30.84 to 1,325.58 on turnover of NZ$22.9m (NZ$27.1m). The market has lost 5.4 per cent since Monday.

AUSTRALIA also closed lower for the third day. The All Ordinaries index opened 16 points down but ended only 4.4 off at 1,367.8 after turnover of A$170m, down from A$175m. Trading concentrated on BHP, which firmed 10 cents to A$10.35, and News Corp, which lost 12 cents to A$7.56.

SEOUL recouped early losses, the composite index ending 2.19 up at 672.10 after active volume of Won227.5bn.

SINGAPORE closed weaker on a round of profit-taking. The Straits Times Industrial index, 15.16 lower at midday, ended 10.10 down on balance at 1,387.30. Individual investors continued to dominate trading and speculative Malaysian issues featured. Volume decreased to S$232.6m from S$322.7m. In KUALA LUMPUR, the composite index dipped 7.84 or 1.4 per cent to 554.42. The index climbed 34.66 points in the previous three days. Turnover shrank to 125.0m shares from 181.7m.

BANGKOK dropped across the board on nerves about the Gulf and domestic politics. The SET index fell 40.68 to 776.56.

BOMBAY advanced after early profit-taking. The BSE index gained 4.96 at 1,153.29 after reaching 1,170.82.

SOUTH AFRICA

MODEST profit-taking and a firmer financial rand kept Johannesburg subdued yesterday. The all-share index slipped 40 to 2,775 and the all-gold index eased 14 to 1,010. In the platinum sector, Impala fell R2.25 to R55.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 20 1991								TUESDAY FEBRUARY 19 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	130.06	−2.3	99.02	108.32	101.23	109.82	−2.1	6.29	133.14	101.12	110.67	103.31	112.20	158.31	112.74	143.35
Austria (19)	219.31	−1.4	166.96	182.65	170.69	170.49	−0.7	1.60	222.37	168.90	184.85	172.55	171.70	285.63	167.00	257.26
Belgium (60)	150.71	−0.2	114.73	125.50	117.29	114.29	+0.3	5.15	150.99	114.68	125.50	117.16	113.94	160.02	121.73	136.16
Canada (116)	138.86	−0.8	105.71	115.64	108.06	115.98	−0.8	3.46	139.95	106.29	116.32	108.58	116.94	153.61	121.24	138.06
Denmark (32)	268.56	−0.7	204.45	223.67	209.02	210.21	−0.3	1.40	270.56	205.50	224.91	209.94	210.77	277.62	217.74	251.24
Finland (21)	113.04	+1.0	86.06	94.15	87.98	85.99	+1.4	3.27	111.90	84.99	93.02	86.83	84.76	152.29	90.61	149.67
France (113)	145.97	−0.4	111.12	121.56	113.60	116.32	−0.5	3.55	146.58	111.33	121.84	113.73	116.86	168.85	121.85	144.02
Germany (88)	123.40	−1.6	93.94	102.78	96.04	96.04	−1.3	2.37	125.35	95.20	104.20	97.26	97.26	144.63	101.38	127.92
Hong Kong (48)	142.20	+0.7	108.25	118.42	110.68	142.24	+0.7	4.72	141.22	107.26	117.39	109.58	141.29	147.49	112.24	117.10
Ireland (16)	163.82	−0.5	124.71	136.43	127.50	129.61	−0.2	3.53	164.65	125.06	136.87	127.76	129.86	198.57	132.88	188.15
Italy (91)	85.72	−2.1	65.26	71.39	66.71	71.85	−1.8	3.52	87.53	66.48	72.75	67.91	73.18	109.26	72.05	95.58
Japan (453)	144.78	−0.8	110.22	120.58	112.70	120.58	−0.6	0.71	145.91	110.82	121.28	113.23	121.28	197.26	106.58	175.10
Malaysia (34)	232.54	+1.3	177.03	193.65	180.97	241.49	+1.3	3.14	229.48	174.30	190.75	178.06	238.28	250.89	182.96	239.14
Mexico (12)	602.47	−0.1	458.65	501.75	468.89	1958.34	−0.1	0.35	603.30	458.21	501.48	468.13	1961.03	613.96	324.53	373.64
Netherland (41)	142.42	−1.1	108.42	118.61	110.85	109.66	−0.8	4.90	144.04	109.40	119.73	111.77	110.58	149.03	125.70	135.26
New Zealand (15)	48.71	−3.8	37.09	40.57	37.92	43.14	−2.8	7.88	50.62	38.45	42.08	39.28	44.36	75.36	41.18	64.84
Norway (30)	206.94	−1.8	157.54	172.35	161.07	164.16	−1.5	1.69	210.63	160.13	175.25	163.59	166.76	276.79	162.24	233.52
Singapore (25)	192.63	+0.7	146.64	160.43	149.92	152.68	+0.7	2.72	191.34	145.32	159.05	148.46	151.67	209.24	147.24	192.90
South Africa (60)	196.07	−1.3	149.26	163.29	152.59	140.29	+1.0	3.88	198.59	150.83	165.07	154.09	138.91	251.39	151.50	213.84
Spain (41)	163.99	−0.7	124.84	136.58	127.63	115.66	−0.5	4.90	165.19	125.47	137.32	128.18	116.26	182.25	128.54	152.01
Sweden (27)	186.04	+0.3	141.63	154.94	144.80	153.54	+0.5	2.67	185.40	140.81	154.11	143.86	152.74	234.93	146.60	179.14
Switzerland (65)	97.74	−2.0	74.41	81.40	76.08	77.59	−2.0	2.66	99.74	75.75	82.91	77.40	79.15	109.77	82.17	96.19
United Kingdom (296)	179.56	−0.9	136.70	149.53	139.74	136.70	−0.7	5.15	181.19	137.61	150.59	140.58	137.61	182.40	139.87	157.74
USA (526)	147.89	−1.1	112.59	123.17	115.11	147.89	−1.1	3.32	149.55	113.59	124.32	116.05	149.55	149.55	119.06	132.60
Europe (940)	147.58	−1.0	112.35	122.91	114.86	113.88	−0.8	4.11	149.13	113.27	123.96	115.72	114.83	157.65	124.91	140.27
Nordic (110)	190.73	−0.4	145.20	158.85	148.45	147.23	+0.0	2.03	191.44	145.40	159.13	148.55	147.29	223.29	155.55	188.71
Pacific Basin (650)	143.79	−0.8	109.47	119.75	111.91	120.55	−0.6	1.04	144.93	110.07	120.47	112.46	121.27	192.75	107.82	171.76
Euro−Pacific (1590)	145.70	−0.9	110.92	121.33	113.39	118.57	−0.7	2.32	147.01	111.66	122.19	114.07	119.39	174.18	118.03	159.39
North America (642)	147.25	−1.1	112.10	122.64	114.62	145.77	−1.1	3.32	148.87	113.07	123.76	115.53	147.38	148.87	119.26	132.83
Europe Ex. UK (644)	127.86	−1.1	97.34	106.51	99.53	100.45	−0.9	3.34	129.34	98.24	107.54	100.38	101.41	145.82	106.85	128.38
Pacific Ex. Japan (197)	131.32	−0.9	99.97	109.38	102.21	115.98	−0.8	5.32	132.54	100.66	110.18	102.85	116.90	146.72	111.40	131.46
World Ex. US (1778)	146.23	−0.9	111.33	121.80	113.82	119.17	−0.7	2.37	147.55	112.06	122.65	114.49	119.98	173.77	117.12	159.30
World Ex. UK (2008)	142.35	−1.0	108.37	118.55	110.80	127.32	−0.8	2.39	143.75	109.18	119.49	111.55	128.40	162.00	115.37	147.90
World Ex. So. Af. (2244)	145.34	−1.0	110.65	121.05	113.13	128.13	−0.8	2.68	146.76	111.46	122.00	113.88	129.22	161.84	118.04	148.36
World Ex. Japan (1851)	147.54	−1.1	112.32	122.88	114.84	132.15	−0.9	3.71	149.12	113.26	123.97	115.73	133.41	151.59	124.31	136.86
The World Index (2304)	145.65	−1.0	110.88	121.30	113.36	128.22	−0.8	2.70	147.07	111.70	122.25	114.12	129.29	162.05	118.33	148.76

Latest prices were unavailable for this edition.